

Daewoo International Corporation  
Non-Consolidated financial statements  
Year ended December 31, 2007  
with independent auditors' report

*ERNST&YOUNG HAN YOUNG*



**DAEWOO INTERNATIONAL CORPORATION**  
**December 31, 2007**

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### **Independent Auditors' Report**

The Board of Directors and Stockholders  
Daewoo International Corporation

We have audited the accompanying non-consolidated balance sheet of Daewoo International Corporation (the "Company") as of December 31, 2007 and the related statements of income, appropriation of retained earnings, changes in equity and cash flows for the year then ended, expressed in Korean won. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. The accompanying non-consolidated financial statements of the Company for the year ended December 31, 2006, presented for comparative purposes, were audited by Samil PricewaterhouseCoopers whose report dated February 22, 2007, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daewoo International Corporation as of December 31, 2007, and the results of its operations, its changes in retained earnings and equity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea.

We have also reviewed the translation of the 2007 non-consolidated financial statements mentioned above into United States dollar amounts on the basis described in Note 2 to the accompanying non-consolidated financial statements. In our opinion, such statements have been properly translated on such basis.

Without qualifying our opinion, we draw attention to Note 17 to the accompanying non-consolidated financial statements. Daewoo Corporation, Daewoo Engineering & Construction Co., Ltd. and the Company are jointly liable for Daewoo Corporation's outstanding liabilities prior to its spin-off, payable to certain financial institutions including overseas banks, which did not participate in the workout agreement dated March 15, 2000. The Company has been named as a defendant in a number of claims related to Daewoo Corporation's spin-off and continues to negotiate with certain creditors, which did not participate in the workout agreement regarding Daewoo Corporation's outstanding



The Board of Directors and Stockholders  
Daewoo International Corporation

liabilities prior to the spin-off. Based on the Company's assessment of the probability of an unfavorable outcome, the Company recorded a provision of ₩71,185 million, representing the estimated amount that will be needed to settle the claims if they materialize. The final outcome of the lawsuits and negotiations may differ from the amount of the provision made on the accompanying non-consolidated financial statements.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those who are knowledgeable about Korean accounting principles and auditing standards and their application in practice.

February 5, 2008

A stylized, handwritten signature in black ink that reads 'Ernst &amp; Young Han Young'.

This audit report is effective as of February 5, 2008, the auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying non-consolidated financial statements and may result in modifications to this report.

**DAEWOO INTERNATIONAL CORPORATION**  
**BALANCE SHEETS**  
**As of December 31, 2006 and 2007**

	<b>Korean won in millions</b>		<b>U. S. dollars in thousands (Note 2)</b>
	<b>2006</b>	<b>2007</b>	<b>2007</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents less government subsidies of ₩624 million in 2006 and ₩353 million in 2007 (Notes 9 and 20)	₩ 106,827	₩ 198,351	US\$ 211,416
Short-term financial instruments (Notes 3 and 20)	95,197	75,746	80,736
Short-term investment securities (Note 6)	14	28	30
Trade accounts receivable, net (Notes 4 and 20)	323,812	263,331	280,677
Other accounts receivable, net (Notes 4 and 20)	12,897	15,044	16,035
Accrued income (Note 4)	513	73	78
Advance payments, net (Notes 4 and 20)	27,131	32,733	34,889
Prepaid expenses, net (Note 4)	1,597	1,505	1,604
Short-term loans (Notes 4 and 20)	278	2,202	2,347
Currency forwards contracts (Note 17)	3,904	3,435	3,661
Commodity futures contracts (Note 17)	5,276	4,349	4,635
Commodity firm commitment contracts (Note 17)	3,569	2,890	3,080
Short-term guarantee deposits (Note 20)	251	504	537
Deferred income tax assets (Note 21)	32,540	35,781	38,138
Inventories less allowance for obsolescence (Note 5)	187,057	140,822	150,098
Total current assets	800,863	776,794	827,961
Non-current assets:			
Long-term financial instruments (Note 3)	607	1,614	1,720
Long-term investment securities (Note 6)	35,501	55,270	58,911
Equity method investments (Notes 7 and 15)	686,595	834,383	889,344
Long-term trade accounts receivable, net (Notes 4, 14 and 20)	6,071	6,325	6,742
Long-term other accounts receivable, net (Notes 4, 14 and 20)	15,455	37,977	40,479
Long-term guarantee deposits (Note 20)	14,442	13,265	14,139
Natural resources exploration investments (Note 8)	177,602	249,125	265,535
Long-term loans (Notes 4 and 20)	-	6,487	6,914
Property, plant and equipment, net (Notes 9, 15 and 25):	169,399	162,421	173,120
Intangible assets, net (Notes 9, 10 and 25)	22,259	20,395	21,738
Total non-current assets	1,127,931	1,387,262	1,478,642
Total assets	₩ 1,928,794	₩ 2,164,056	US\$ 2,306,603

(Continued)

See accompanying notes.

**DAEWOO INTERNATIONAL CORPORATION**  
**BALANCE SHEETS (CONT'D)**  
**As of December 31, 2006 and 2007**

	<b>Korean won in millions</b>		<b>U. S. dollars in thousands (Note 2)</b>
	<b>2006</b>	<b>2007</b>	<b>2007</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current liabilities:			
Trade accounts payable (Note 20)	₩ 393,194	₩ 445,433	US\$ 474,774
Short-term borrowings (Notes 11 and 20)	9,331	60,444	64,425
Other accounts payable (Note 20)	63,203	69,281	73,845
Advances received	32,366	26,958	28,734
Withholdings (Note 20)	124,360	39,690	42,304
Accrued expenses (Note 20)	4,370	2,673	2,849
Income taxes payable	13,055	-	-
Current portion of long-term debt, net (Notes 12, 14 and 20)	27,536	71,111	75,795
Guarantee deposits received (Note 20)	58	58	62
Currency forwards contracts (Note 17)	5,727	3,175	3,384
Commodity futures contracts (Note 17)	8,969	11,063	11,792
Commodity firm commitment contracts (Note 17)	36	366	390
Total current liabilities	682,205	730,252	778,354
Non-current liabilities:			
Long-term debt, net (Notes 13, 14 and 20)	205,720	161,723	172,376
Long-term other accounts payable, net (Notes 14 and 20)	8,181	5,048	5,381
Long-term accrued expense (Note 18)	10,989	1,265	1,348
Long-term withholdings (Note 20)		126,690	135,035
Long-term guarantee deposits received	7,485	7,349	7,833
Deferred income tax liabilities (Note 21)	38,571	72,241	77,000
Severance and retirement benefits, net (Notes 3 and 16)	-	-	-
Provision for claims (Notes 17 and 20)	65,797	71,185	75,874
Total non-current liabilities	336,743	445,501	474,847
Total liabilities	1,018,948	1,175,753	1,253,201
Commitments and contingencies (Notes 15 and 17)			
Stockholders' equity:			
Capital stock - Common stock (Note 19)	474,944	474,944	506,229
Capital surplus - Gains on disposal of treasury stock (Note 19)	16	16	17
Capital adjustments - Debts to be converted into equity (Notes 19 and 22)	1,170	1,170	1,247
Accumulated other comprehensive income (Note 19)	7,253	12,216	13,020
Retained earnings:			
Appropriated (Note 19)	310,648	396,778	422,914
Unappropriated	115,815	103,179	109,975
	426,463	499,957	532,889
Total stockholders' equity	909,846	988,303	1,053,402
Total liabilities and stockholders' equity	₩ 1,928,794	₩ 2,164,056	US\$ 2,306,603

See accompanying notes.

**DAEWOO INTERNATIONAL CORPORATION**  
**STATEMENTS OF INCOME**  
**Years ended December 31, 2006 and 2007**

	<b>Korean won in millions</b>		<b>U. S. dollars in thousands (Note 2)</b>
	<b>2006</b>	<b>2007</b>	<b>2007</b>
Sales (Note 25)	₩ 6,383,615	₩ 7,816,149	US\$ 8,331,005
Cost of sales	5,911,115	7,294,523	7,775,019
Gross profit	472,500	521,626	555,986
Selling and administrative expenses	394,803	429,750	458,058
Operating income (Note 25)	77,697	91,875	97,928
Other income (expenses):			
Interest income	17,613	11,372	12,121
Interest expense	(24,632)	(18,211)	(19,411)
Dividend income	1,888	5,146	5,485
Loss on disposal of trade accounts receivable	(42,454)	(42,094)	(44,867)
Reversal of allowance for doubtful accounts	6,062	2,157	2,299
Gain on disposal of investment assets, net (Notes 6 and 7)	9,716	11,094	11,825
Equity in earnings of equity method investments, net (Note 7)	107,244	89,029	94,894
Gain (loss) on valuation of currency forwards contracts, net (Note 17)	(1,823)	260	277
Loss on valuation of commodity futures contracts, net (Note 17)	(3,693)	(6,691)	(7,132)
Gain (loss) on valuation of commodity firm commitment contracts, net (Note 17)	(12,959)	3,102	3,306
Gain (loss) on settlement of currency forwards contracts, net	6,656	(25,696)	(27,389)
Gain on settlement of commodity futures contracts, net	16,680	6,509	6,938
Contribution to provision for claims, net	(2,474)	(2,118)	(2,258)
Rental income	21	13	14
Commission income	12	9	10
Gain (loss) on foreign currency transactions, net	(9,453)	8,861	9,445
Gain (loss) on foreign currency translation, net	13,838	(5,186)	(5,528)
Gain on disposal of property, plant and equipment, net	49	190	202
Loss on impairment of intangible assets (Note 10)	-	(4,375)	(4,663)
Loss from early repayment of borrowings	(598)	(94)	(100)
Donations	(75)	(335)	(358)
Additional payment of income taxes	(4,262)	-	-
Others	(705)	4,062	4,330
	76,653	37,003	39,440
Income before income taxes	154,350	128,879	137,368
Provision for income taxes (Note 21)	41,542	26,888	28,659
Net income	₩ 112,808	₩ 101,991	US\$ 108,709
Earning per share:			
Basic earnings per share (Note 22) (Korean won and US\$ in units)	₩ 1,188	₩ 1,074	US\$ 1.15
Diluted earnings per share (Note 22) (Korean won and US\$ in units)	₩ 1,185	₩ 1,071	US\$ 1.14

See accompanying notes.

**DAEWOO INTERNATIONAL CORPORATION**  
**STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS**  
**Years ended December 31, 2006 and 2007**

	<b>Korean won in millions</b>		<b>U. S. dollars in thousands (Note 2)</b>
	<b>2006</b>	<b>2007</b>	<b>2007</b>
<b>Retained earnings before appropriations:</b>			
Unappropriated retained earnings carried forward from the prior year	₩ 1,400	₩ 1,188	US\$ 1,266
Retained earnings adjustment arising from equity method investments	1,607	-	-
Net income for the year	112,808	101,991	108,709
	<u>115,815</u>	<u>103,179</u>	<u>109,975</u>
<b>Transfer from reserve for improvement of financial structure</b>	-	44,893	47,850
<b>Appropriations:</b>			
Legal reserve (Note 19)	2,850	3,325	3,544
Reserve for improvement of financial structure	11,280	-	-
Reserve for business expansion	72,000	110,000	117,246
Cash dividends (Note 28)	28,497	33,246	35,436
	<u>114,627</u>	<u>146,571</u>	<u>156,226</u>
<b>Unappropriated retained earnings to be carried forward to the next year</b>	<u>₩ 1,188</u>	<u>₩ 1,501</u>	<u>US\$ 1,600</u>

See accompanying notes.



**DAEWOO INTERNATIONAL CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
**Year ended December 31, 2007**

	Korean won in millions						U. S. dollars in thousands (Note 2)
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total	Total
Balance as of Jan. 1, 2007	₩ 474,944	₩ 16	₩ 1,170	₩ 7,253	₩ 426,463	₩ 909,846	US\$ 969,778
Dividends	-	-	-	-	(28,497)	(28,497)	(30,374)
Net income for the year	-	-	-	-	101,991	101,991	108,709
Gain on valuation of investment securities (Notes 6, 19 and 27)	-	-	-	21,789	-	21,789	23,224
Equity adjustment arising from equity method investments, net (Notes 7, 19 and 27)	-	-	-	(11,515)	-	(11,515)	(12,274)
Foreign currency translation adjustments (Notes 19 and 27)	-	-	-	(5,311)	-	(5,311)	(5,661)
Balance as of Dec. 31, 2007	<u>₩ 474,944</u>	<u>₩ 16</u>	<u>₩ 1,170</u>	<u>₩ 12,216</u>	<u>₩ 499,957</u>	<u>₩ 988,303</u>	<u>US\$ 1,053,402</u>

See accompanying notes.

**DAEWOO INTERNATIONAL CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2006 and 2007**

	<b>Korean won in millions</b>		<b>U. S. dollars in thousands (Note 2)</b>
	<b>2006</b>	<b>2007</b>	<b>2007</b>
<b>Cash flows from operating activities:</b>			
Net income	₩ 112,808	₩ 101,991	US\$ 108,709
Adjustments to reconcile net income to net cash provided by operating activities:			
Reversal of inventory valuation reserves	-	(600)	(640)
Depreciation	12,134	10,721	11,427
Amortization	2,435	2,954	3,149
Share-based compensation expense	6,518	1,865	1,988
Provision for severance and retirement benefits	10,150	10,509	11,201
Interest income	(1,121)	(600)	(640)
Interest expense	13,561	12,299	13,109
Loss (gain) on foreign currency translation, net	(13,760)	5,373	5,727
Loss on disposal of trade accounts receivable	42,454	42,094	44,866
Reversal of allowance for doubtful accounts	-	(2,157)	(2,299)
Gain on disposal of investment assets, net	(9,716)	(11,094)	(11,825)
Equity in earnings of equity method investments, net	(107,244)	(89,029)	(94,893)
Gain on disposal of property, plant and equipment, net	(49)	(190)	(203)
Loss (gain) on valuation of currency forwards contracts, net	1,823	(260)	(277)
Loss on valuation of commodity futures contracts, net	3,693	6,691	7,132
Loss (gain) on valuation of commodity firm commitment contracts, net	12,958	(3,102)	(3,306)
Loss (gain) on settlement of currency forwards contracts, net	(6,656)	25,696	27,389
Gain on settlement of commodity futures, net	(16,680)	(6,509)	(6,938)
Loss from early repayment of borrowings	598	94	100
Loss on impairment of Intangible assets	-	4,375	4,663
Contribution to provision for claims, net	2,474	2,118	2,258
Others	-	(3,798)	(4,048)
Changes in operating assets and liabilities:			
Trade accounts receivable	(111,927)	24,686	26,312
Other accounts receivable	3,100	(1,030)	(1,098)
Accrued income	211	439	468
Advance payments	469	(3,668)	(3,910)
Prepaid expenses	473	91	97
Inventories	(98,928)	46,837	49,922
Deferred income taxes	22,981	22,158	23,618
Trade accounts payable	97,211	49,335	52,585
Other accounts payable	10,886	8,068	8,599
Advances received	15,360	(5,408)	(5,764)
Withholdings	21,708	959	1,022
Accrued expenses	10	(28)	(30)
Income tax payable	13,002	(13,055)	(13,915)
Long-term accrued expense	(5,775)	(11,589)	(12,352)
Payment of severance benefits	(7,989)	(8,997)	(9,590)
Foreign currency translation adjustments	(878)	(5,450)	(5,809)
Commodity firm commitment contracts	(16,492)	4,111	4,382
Others, net	(2,312)	(2,787)	(2,971)
Total adjustments	(105,318)	112,122	119,506
Net cash provided by operating activities	7,490	214,113	228,215

(Continued)

See accompanying notes.

**DAEWOO INTERNATIONAL CORPORATION**  
**STATEMENTS OF CASH FLOWS (CONT'D)**  
**Years ended December 31, 2006 and 2007**

	<b>Korean won in millions</b>		<b>U. S. dollars in thousands (Note 2)</b>
	<b>2006</b>	<b>2007</b>	<b>2007</b>
<b>Cash flows from investing activities:</b>			
Proceeds from short-term financial instruments, net	₩ 30,161	₩ 19,481	US\$ 20,764
Decrease in short-term loans, net	182	1,841	1,962
Proceeds from disposal of short-term investment securities	661	12	13
Decrease (increase) in currency forwards contracts, net	10,563	(27,519)	(29,332)
Decrease in commodity futures contracts, net	19,364	2,840	3,027
Proceeds from disposal of investment securities	110	15,420	16,436
Acquisition of investment securities	(8,210)	(601)	(641)
Acquisition of equity-method investments	(21,928)	(91,937)	(97,993)
Proceeds from disposal of equity-method investments	25,249	6,110	6,513
Dividend income from equity method investments	21,735	24,027	25,610
Decrease in guarantee deposits, net	361	971	1,035
Proceeds from disposal of property, plant and equipment	119	336	358
Increase in long-term loans, net	-	(8,251)	(8,795)
Acquisition of property, plant and equipment	(5,803)	(3,958)	(4,219)
Acquisition of intangible assets	(2,514)	(1,856)	(1,978)
Additions to natural resources exploration investments	(68,039)	(99,988)	(106,574)
Proceeds from long-term other accounts receivable	6,570	2,013	2,146
Net cash provided by (used in) investing activities	8,581	(161,059)	(171,668)
<b>Cash flows from financing activities:</b>			
Proceeds from short-term borrowings, net	7,465	51,064	54,428
Decrease in long-term other accounts payable	(173)	-	-
Increase (decrease) in long-term guarantee deposits received	31	(136)	(145)
Repayment of current portion of long-term debt	(40,952)	(34,419)	(36,686)
Proceeds from long-term debt	2,511	3,917	4,175
Repayment of long-term debt	(6,706)	-	-
Increase in long-term withholdings	-	45,926	48,951
Increase in government subsidies	340	344	367
Payment of dividends	(23,747)	(28,497)	(30,374)
Net cash provided by (used in) financing activities	(61,231)	38,199	40,716
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(45,160)</b>	<b>91,253</b>	<b>97,263</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>152,611</b>	<b>107,451</b>	<b>114,529</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>₩ 107,451</b>	<b>₩ 198,704</b>	<b>US\$ 211,792</b>

See accompanying notes.

**DAEWOO INTERNATIONAL CORPORATION**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2006 and 2007**

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**1. Corporate information**

Daewoo International Corporation (the “Company”) was incorporated as a spin-off company on December 27, 2000 as a result of a spin-off by Daewoo Corporation on certain of its business activities. The Company had been placed under a work-out agreement with the Creditor Financial Institutions’ Council (“Creditor Council”), which was terminated on December 30, 2003.

The Company is engaged in various business activities, such as export service, export agent service, intermediary trade, manufacturing, distribution and natural resource development. The primary products sold by the Company include steel, metals, chemicals, transportation equipment, machinery, ships, plants, electronics, textiles and special goods.

On March 23, 2001, the Company listed its shares on the Korea Stock Exchange. The Company’s common stock outstanding as of December 31, 2007 amounted to ₩474,944 million.

As of December 31, 2007, the Company’s major shareholder is Non-Performing Asset Management Fund (“NPA Fund”), which owns 35.53% of the total outstanding shares. The NPA Fund is wholly invested and managed by Korea Asset Management Corporation (“KAMCO”).

**2. Summary of significant accounting policies**

**Basis of financial statement preparation**

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea (“Korean GAAP”). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent accountants’ report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

Certain supplementary information attached to the Korean language financial statements, but not required for a fair presentation of the Company’s financial position, results of operations and cash flows, is not presented in the accompanying non-consolidated financial statements.

**Adoption of new Statements of Korea Accounting Standards**

The Korea Accounting Standards Board has issued new Statements of Korea Accounting Standards (“SKAS”) to revise the existing Korea accounting standards with the intention to meet international practices and disclosure rules. The following new SKAS have become effective for accounting period beginning on or after January 1, 2007:

- SKAS 11 *Discontinuing Operations*
- SKAS 21 *Preparation and Presentation of Financial Statements*
- SKAS 22 *Share-based Payments*
- SKAS 23 *Earnings per Share*

**DAEWOO INTERNATIONAL CORPORATION**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2006 and 2007**

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**2. Summary of significant accounting policies (cont'd)**

**Adoption of new Statements of Korea Accounting Standards (cont'd)**

The Company has adopted these new standards in its non-consolidated financial statements as of and for the year ended December 31, 2007. Adoption of these new standards did not have any material effect on the Company's financial statements, except for the effects of SKAS 21 as described below.

The adoption of SKAS 21 has resulted in the addition of a statement of changes in equity in the 2007 non-consolidated financial statements and reclassification of certain comparative amounts in the 2006 non-consolidated financial statements to conform with the 2007 presentation. These reclassifications have had no effect on the Company's net income and retained earnings as previously reported. A statement of changes in equity is not required to be presented for the comparative 2006 non-consolidated financial statements according to the transitional provision of SKAS 21 on application of retrospective application.

**Financial statement translation**

The accompanying balance sheet as of December 31, 2007 and the related statements of income, changes in equity, appropriation of retained earnings and cash flows for the year then ended are expressed in Korean won and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ₩938.2 to US\$1, the exchange rate on December 31, 2007. Such translation should not be construed as a representation that the Korean won amounts can actually be converted into United States dollars at the exchange rate used for the purpose of such translation.

**Revenue recognition**

Revenue from the sale of goods is recognized when significant risk and rewards of ownership of goods have passed to the buyer. Revenue from services is recognized when the related services are rendered. Revenue received from transactions where the Company acts as an agent without assuming the risks and rewards of ownership of the goods is recognized on a net basis. Commission income arising from services provided by the Company where it serves as a selling agent is recognized on an accrual basis when the sales transaction is executed. Revenues from long-term construction and housing projects are recognized using the percentage-of-completion method, measured principally by the percentage of costs incurred to date to the total estimated costs to complete the contracts, and by the units of work performed.

**Cash equivalents**

Highly liquid deposits and marketable securities with original maturities of three months or less, and which have no significant risk of loss in value by interest rate fluctuations, are considered as cash equivalents.

**Financial instruments**

Financial instruments, such as time deposits and restricted bank deposits, which are traded by financial institutions and are held for short-term cash management purposes or which will mature within one year, are accounted for as short-term financial instruments. Financial instruments other than cash equivalents and short-term financial instruments are recorded as long-term financial instruments.

**DAEWOO INTERNATIONAL CORPORATION**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2006 and 2007**

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**2. Summary of significant accounting policies (cont'd)**

**Disposal of accounts receivable**

The Company recognizes the difference between the book value and proceeds from disposal of accounts receivable as a non-operating expense when all the risks and rewards associated with the receivables are transferred to the transferee and the Company does not retain control of the receivables sold.

**Allowance for doubtful accounts**

The Company provides an allowance for doubtful accounts based on the aggregate estimated collectibles of individual accounts and historical experience. The Company increases the allowance for the doubtful accounts when the written-off receivables are collected. The Company also recognized the difference between the present value of future cash flows and book value of receivables as bad debt expenses when the receivables are restructured by the Company through a work-out agreement, reorganization, and agreement between relevant parties.

**Inventories**

Inventories are valued at the lower of cost or market, with cost being determined using the first-in, first-out method, except for materials in-transit which are stated at cost by the specific identification method. Perpetual inventory system is used to record inventories, in which inventories are adjusted to physical inventory counts that are performed by periods.

When a decline in the value of an inventory indicates that its cost exceeds net realizable value, a valuation loss will be recognized to write the inventory down to its net realizable value. The loss on valuation is recognized in cost of sales. If, however, the circumstances which caused the valuation loss ceased to exist, causing the market value to rise above the carrying amount, the valuation loss is reversed up to the original carrying amount before the valuation was recognized. The reversal is recognized as a deduction from cost of sales.

**Investments in securities**

Investments in securities within the scope of SKAS 8 *Investments in Securities* are classified as either held-to-maturity or available-for-sale securities, as appropriate, and are initially measured at cost, including incidental expenses, with cost being determined using the moving average method. The Company determines the classification of its investments after initial recognition, and, where allowed and appropriate, re-evaluates this designation at each fiscal year end.

After initial measurement, available-for-sale securities are measured at fair value with unrealized gains or losses being recognized directly in equity as other comprehensive income. The fair value of available-for-sale securities that are traded actively in the open market (marketable securities) is measured at the closing price of those securities at the balance sheet date, except for non-marketable equity securities which are measured at cost subsequent to initial measurement if their fair values cannot be reliably estimated. Debt securities which carry fixed or determinable payments and fixed maturity are classified as held-to-maturity if the Company has the positive intention and ability to hold to maturity and are initially measured at cost being determined using the moving average method.

Available-for-sale and held-to-maturity securities are classified as long-term investments, except that securities maturing within one year or are certain to be disposed of within one year from the balance sheet date are classified as short-term investments. The Company recognizes an impairment loss on its investments in securities if there is objective evidence that the securities are impaired. The impairment loss is charged to statement of income.

**DAEWOO INTERNATIONAL CORPORATION**  
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**2. Summary of significant accounting policies (cont'd)**

**Equity method investments**

Investments in entities over which the Company has control or significant influence are accounted for using the equity method.

Under the equity method of accounting, the Company's initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Company's share of income or loss of the investee in the statement of income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Company on the balance sheet. If the Company's share of losses of the investee equal or exceed its interest in the investee, it discontinues recognizing its share of further losses. However, if the Company has other long-term interests in the investee, it continues recognizing its share of further losses to the extent of the carrying amount of such long-term interests.

At the date of acquisition, the excess of the cost of the investment over the Company's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill which is amortized over its useful life using the straight-line method. Conversely, negative goodwill represents the excess of the Company's share in the net fair value of the investee's identifiable assets and liabilities over the cost of the investment. Negative goodwill is recorded to the extent of the fair value of acquired non-monetary assets and recognized as income using the straight-line method over the remaining weighted-average useful life of those acquired non-monetary assets. The amount of negative goodwill in excess of the fair value of acquired non-monetary assets is recognized as income immediately.

The Company's share in the investee's unrealized profits and losses resulting from transactions between the Company and its investee are eliminated.

In translating the financial statements of foreign investees into Korean won, assets and liabilities are translated at the exchange rate on the balance sheet date and income and expenses are translated at the weighted-average exchange rate for the period. All resulting exchange differences are recognized as foreign currency translation adjustments in other comprehensive income within equity.

**Joint venture investments**

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly-controlled entities are accounted for in the financial statements by using the equity method of accounting as stated in accounting policy for *equity method investments* described above.



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**2. Summary of significant accounting policies (cont'd)**

**Natural resources exploration investment**

Investment in exploration of natural resources such as natural gas and mineral reserves are initially accounted for as natural resources exploration investment. When the reserves are proved to have commercially producible quantities of reserves, the exploration investment account is transferred to mining rights as an intangible asset and is amortized over its expected period of commercial production.

Borrowings that are directly attributable to exploration investment are initially accounted for as long-term withholdings. When the reserves are proved to have commercially producible quantities of reserves, the Company transfers such borrowings to long-term debt and recognizes the cumulative interest expense from the date when such borrowings were first obtained up to the date when the reserve were proved. Conversely, in case of a failure in commercial production, the Company deducts the amount of exploration investment from such borrowings and recognizes any remaining balance as a gain or loss in the current year.

Borrowing costs directly attributable to the acquisition of mining rights are capitalized as part of the cost of those assets. Such capitalized borrowing costs amounted to ₩15,082 millions for the year ended December 31, 2007.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

Depreciation is computed using the straight-line method and declining balance method, over the estimated useful life of the assets as follows:

	<u>Depreciation method</u>	<u>Years</u>
Buildings	Straight-line method	20~54
Structures	Straight-line method	15~40
Others	Declining balance method	2~8

**Intangible assets**

Intangible assets of the Company consist of intellectual property rights, facility usage rights, and software, which are stated at cost less accumulated amortization. Amortization is recognized as an expense based on the straight-line method over the estimated useful life of the assets as follows:

	<u>Years</u>
Development costs	5
Distributorship	5
Mining rights	20
Other intangible assets	5~20



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**2. Summary of significant accounting policies (cont'd)**

**Derivative financial instruments**

Derivative financial instruments are presented as assets or liabilities valued principally at the fair value of the rights or obligations associated with the derivative contracts. The unrealized gain or loss from a derivative transaction with the purpose of hedging the exposure to changes in the fair value of a recognized asset or liability or unrecognized firm commitment is recognized in current operations. For a derivative instrument with the purpose of hedging the exposure to the variability of cash flows of a recognized asset or liability or a forecasted transaction, the hedge-effective portion of the derivative instrument's gain or loss is deferred as an other comprehensive income in equity. The ineffective portion of the gain or loss is charged or credited to current operations. Derivative instruments that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting are measured at fair value with unrealized gains or losses reported in current operations.

**Severance and retirement benefits**

In accordance with the Korean Law on Guarantee of Employee's Severance and Retirement Benefits and the Company's regulations, employees terminating their employment with at least one year of service are entitled to severance and retirement benefits, based on the rates of pay in effect at the time of termination, years of service and certain other factors. The provision for the years ended December 31, 2006 and 2007 are sufficient to state the liability at the estimated obligation arising from services performed to and at rates of pay in effect as of December 31, 2006 and 2007. Funding of this liability is not required by Korean law.

The lesser of 5% of annual payroll expense or 35% of the accumulated severance and retirement benefits provision is deductible for corporate income tax reporting purposes unless benefits are actually paid or the non tax-deducted portion is deposited with financial institutions. Accordingly, the Company has deposited a portion of its severance and retirement benefits obligation with an insurance company. Since the Company's employees are individually nominated as the vested beneficiaries of the deposit in respect of what is due to them as of December 31, 2006 and 2007, such deposit has been offset against the Company's liability for severance and retirement benefits as of such dates.

In accordance with the Korean National Pension Law prior to revision, the Company had prepaid a portion of its severance and retirement benefits obligation to the Korean National Pension Corporation ("KNPC") at the rate of 3% of payroll expense up through March 31, 1999. Such prepayments have been offset against the Company's liability for severance and retirement benefits. In accordance with a revision in the Korean National Pension Law, additions to these prepayments are no longer required effective from April 1, 1999.

**Income taxes**

Current income tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, and are classified as current or non-current, respectively, based on the classification of the related asset or liability in the balance sheet. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

**DAEWOO INTERNATIONAL CORPORATION**  
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**2. Summary of significant accounting policies (cont'd)**

**Valuation of receivables (payables) at present value**

Receivables (payables) arising from long-term installment transactions are stated at present value. The difference between the carrying amount and present value of the receivables (payables) is amortized using the effective-interest-rate method and credited (charged) to statement of income over the installment period.

**Foreign currency translation**

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made. Assets and liabilities denominated in foreign currencies are translated into Korean won at the appropriate exchange rates on the balance sheet date. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations.

**Translation of overseas financial statements stated in foreign currency**

Financial statements of overseas business locations are maintained in the currencies of the countries in which they conduct their operations. In translating the foreign currency financial statements of these foreign business branches or offices into Korean won, assets and liabilities are translated at the current exchange rate on the balance sheet date and income and expenses are translated at the weighted-average exchange rate during the year. All resulting exchange differences are recognized as foreign currency translation adjustments in accumulated other comprehensive income within stockholders' equity. Such foreign currency translation adjustments amounted to ₩6,543 million and ₩11,854 million as of December 31, 2006 and 2007, respectively.

**Leases**

A lease is accounted for as either a capital lease or an operating lease. A lease is recognized as a capital lease if it transfers substantially to the Company all the risks and rewards incidental to ownership of the leased asset.

An asset acquired by way of a capital lease arrangement is stated in the balance sheet at the lower of the fair value or the present value of minimum lease payments at the inception of the lease. The corresponding liability is included in the balance sheet as a capital lease obligation. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalized lease assets are depreciated in the same manner as other depreciable property, plant and equipment.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

**Share-based payment**

For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity at the fair value of the goods or services received or the equity instruments granted over the vesting period. For cash-settled share-based payment transactions, the Company measures the goods or services acquired and the liability incurred at the fair value of the liability, and re-measures the fair value of the liability at each reporting date, with any changes in value recognized in profit or loss for the period. For share-based payment transactions in which the terms of the arrangement provide the supplier of goods or services with a choice of whether the Company settles the transaction in cash or by issuing equity instruments, the Company accounts for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the Company has incurred a liability to settle in cash (or other assets), or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

**DAEWOO INTERNATIONAL CORPORATION**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. Summary of significant accounting policies (cont'd)**

**Share-based payment (cont'd)**

Share-based payment transactions implemented before the effective date of SKAS 22 are accounted in accordance with Korea Financial Accounting Standards Interpretations 39-35 *Accounting for Stock Options*.

**Provision and contingent liabilities**

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and which is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such an outflow is dependent on a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

**Government subsidy**

Government subsidy, which is used for the acquisition of certain assets, is accounted for as a deduction from the acquisition cost of the acquired assets. Such subsidy amount is offset against the depreciation or amortization of the acquired assets during such assets' useful life. Government subsidy, which is required to be repaid, is recorded as a liability in the balance sheet. Government subsidy with no repayment obligation, which is used to purchase a designated asset or to develop a certain technology, is presented as a deduction of the related asset and is amortized against the depreciation or amortization expense of the related asset. Government subsidy, contributed to compensate for specific expenses, is offset against the related expenses as incurred.

**Per share amounts**

Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share measures the performance of the Company over the reporting period while giving effect to all potential common shares, such as options, warrants and convertible bonds, that are dilutive and outstanding during the period.

**Debts to be converted into equity**

Debts to be converted into equity, specifically into the Company's common stock, are recorded as a capital adjustment.

**Use of estimates**

The preparation of financial statements in accordance with Korean GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**DAEWOO INTERNATIONAL CORPORATION**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2006 and 2007**

**3. Restricted deposits**

Restricted deposits as of December 31, 2006 and 2007 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2006	2007	2007	
Short-term financial instruments:				
Time deposits and others	₩ 2,262	₩ 2,107	US\$	2,246
Long-term financial instruments:				
Guarantee deposits	16	16		17
Severance insurance deposits	591	1,599		1,704
	₩ 2,869	₩ 3,722	US\$	3,967

As of December 31, 2007, time deposits amounting to ₩2,107 million are restricted for use as they are in relation to long-term guarantee deposits received from vendors of a department store owned by the Company in Masan.

Guarantee deposits in long-term financial instruments are restricted for the maintenance of checking accounts. Severance insurance deposits may only be used for severance payments to retirees (Note 16).

**4. Receivables**

The Company's receivables, including trade accounts and notes receivables, as of December 31, 2006 and 2007 are as follows (Korean won in millions):

	2006		
	Gross amount	Allowance for doubtful accounts	Carrying value
Trade accounts receivable	₩ 365,648	₩ (41,836)	₩ 323,812
Other accounts receivable	48,775	(35,878)	12,897
Accrued income	513	-	513
Advance payments	30,759	(3,628)	27,131
Prepaid expenses	3,459	(1,862)	1,597
Short-term loans	278	-	278
Long-term trade accounts receivable	8,303	(2,232)	6,071
Long-term other accounts receivable	22,659	(7,204)	15,455
	₩ 480,394	₩ (92,640)	₩ 387,754

**DAEWOO INTERNATIONAL CORPORATION**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2006 and 2007**

**4. Receivables (cont'd)**

	2007		
	Gross amount	Allowance for doubtful accounts	Carrying value
Trade accounts receivable	₩ 303,899	₩ (40,568)	₩ 263,331
Other accounts receivable	50,809	(35,765)	15,044
Accrued income	73	-	73
Advance payments	36,144	(3,411)	32,733
Prepaid expense	3,368	(1,863)	1,505
Short-term loans	2,202	-	2,202
Long-term trade accounts receivable	8,380	(2,055)	6,325
Long-term other accounts receivable	44,950	(6,973)	37,977
Long-term loans	6,485	-	6,485
	₩ 456,310	₩ (90,635)	₩ 365,675
U. S. dollars in thousands (Note 2)	US\$ 486,367	US\$ (96,605)	US\$ 389,762

**5. Inventories**

Inventories as of December 31, 2006 and 2007 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2006	2007	2007
Merchandise	₩ 156,149	₩ 120,108	US\$ 128,020
Finished goods	1,683	2,879	3,069
Work-in-process	5,939	6,248	6,660
Raw materials	7,366	7,536	8,032
Supplies	262	173	184
Materials-in-transit	16,237	5,057	5,390
	187,636	142,001	151,355
Less: allowance for obsolescence	(579)	(1,179)	(1,257)
	₩ 187,057	₩ 140,822	US\$ 150,098

**DAEWOO INTERNATIONAL CORPORATION**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. Investment securities**

Investment securities as of December 31, 2006 and 2007 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2006	2007	2007
Short-term investment securities:			
Held-to maturity	₩ 14	₩ 28	US\$ 30
Long-term investment securities:			
Held-to maturity	107	82	88
Available-for-sale capital investment	2,845	2,845	3,032
Available-for-sale marketable equity securities	15,169	2,876	3,065
Available-for-sale non-marketable equity securities	17,380	49,467	52,726
	35,501	55,270	58,911
	₩ 35,515	₩ 55,298	US\$ 58,941

**Available-for-sale securities**

Available-for-sale securities as of December 31, 2006 and 2007 are as follows (Korean won in millions):

	As of December 31, 2007		2006	2007		
	Number of shares	Owner- ship (%)	Book value	Acquisition cost	Fair value	Book value
<u>Capital investments:</u>						
Nok-san Dyeing Association	-	-	₩ 2,845	₩ 2,845	₩ 2,845	₩ 2,845
Securities Market Stabilization Fund.	-	-	-	-	-	-
	-	-	2,845	2,845	2,845	2,845
<u>Marketable securities:</u>	-	-				
Keangnam Enterprises, Ltd.	-	-	10,822	-	-	-
Shinsung Tongsang Co., Ltd.	-	-	28	-	-	-
Tongyang Investment Bank Co., Ltd.	-	-	1,232	-	-	-
Maruichi Steel Tube Ltd.	120,000	0.12	3,087	2,933	2,752	2,752
Korea Vietnam 15-1 Oil Overseas Resources Development Fund	32,006	0.08	-	126	124	124
			15,169	3,059	2,876	2,876

**DAEWOO INTERNATIONAL CORPORATION**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. Investment Securities (cont'd)**

**Available-for-sale securities (cont'd)**

	As of December 31, 2007		2006		2007	
	Number of shares	Owner- ship (%)	Book value	Acquisition cost	Fair value / net asset value	Book value
<u>Non-marketable securities:</u>						
Daewoo Logistics Co., Ltd.	237,000	19.98	₩ 1,184	₩ 1,184	₩ 4,121	₩ 1,184
The Korea Economics Daily Co., Ltd.	178,881	0.96	975	1,952	1,115	975
Korea Delphi Automotive Systems Corp.	1,835,520	7.70	9,178	9,178	44,984	44,984
Hanil Daewoo Cement Mfg Co., Ltd.	300,000	15.00	135	135	385	135
Shinpoong Daewoo Pharma Co., Ltd.	-	7.08	343	343	233	343
Chemcross Com., Inc	200,000	1.27	226	226	162	226
CJ Philippines Incorporation	109,200	10.00	349	349	1,126	349
VSC-Posco Steel Corp.	-	10.00	1	1	1,514	1
Daewoo Motors Beneficiary Certificate	-	-	670	670	670	670
Daewoo Motors Co., Ltd.	186,972	0.20	-	-	-	-
3Eye System Co., Ltd.	38,400	16.00	-	800	-	-
The Institute for Social Development and Policy Research	2,000	1.67	-	20	-	-
Nara Investment Banking Corp.	-	-	-	-	-	-
Nara Investment Banking Corp. (preferred shares)	-	-	-	-	-	-
Daewoo (Malaysia) Sdn. Bhd.	380,000	100.00	-	48	-	-
Daewoo Canada Ltd.	4,000	100.00	-	17	-	-
N. I. Co., Ltd.	-	50.00	-	3,099	-	-
Daewoo (Thailand) Co., Ltd.	24,500	49.00	-	83	-	-
Daewoo El Salvador S.A. De C. V.	31,262	88.00	-	3,021	-	-
K. K. Korea Kamchatka Co., Ltd.	328	10.00	-	-	-	-
Posco Mexico Processing Center Holding LLC. (*)	-	-	4,159	-	-	-
Korea Vietnam 15-1 Oil Overseas Resources Development Fund	-	-	160	-	-	-

**DAEWOO INTERNATIONAL CORPORATION**  
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**6. Investment Securities (cont'd)**

**Available-for-sale securities**

	As of December 31, 2007		2006	2007			
	Number of shares	Owner- ship (%)	Book value	Acquisition cost	Fair value	Book value	
Ces Co., Ltd.	120,000	5.80	₩ -	₩ 600	₩ 223	₩ 600	
KNOC Inam., Ltd.	10	10.00	-	-	-	-	
			17,380	21,726	54,533	49,467	
Total			₩ 35,394	₩ 27,630	₩ 60,254	₩ 55,188	
U. S. dollars in thousands (Note 2)			US\$ 37,725	US\$ 29,450	US\$ 64,223	US\$ 58,823	

Investments in marketable securities, Maruichi Steel Tube Ltd. and Korea Vietnam 15-1 Oil Overseas Resources Development Fund, were stated at fair value as of December 31, 2007. Investment in Korea Delphi Automotive Systems Corp. ("KDASC"), a non-marketable security, was valued at fair value of ₩24,507 per share by using the discounted cash flow method under the income approach. The resulting unrealized gains arising from fair value adjustments on available-for-sale securities amounting to ₩25,826 million were recorded in other accumulated comprehensive income, net of deferred income tax effect (liability) of ₩9,797 million.

In 2007, the Company disposed of the investments in Keangnam Enterprises, Ltd., Shinsung Tongsang Co., Ltd. and Tongyang Investment Bank Co., Ltd. for a total consideration of ₩15,448 million and recorded a total gain on disposal of ₩8,719 million.

Available-for-sales securities other than marketable securities and investment in KDASC were recorded at cost since the fair market values of those securities could not be measured reliably.

(\*) In 2007, the investment in Posco Mexico Processing Center Holding LLC. ("PMPCHL") was reclassified to equity method investment as the Company gained significant influence over the investee.

**Held-to-maturity securities**

Held-to-maturity securities as of December 31, 2006 and 2007 are as follows:

Maturity	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2006	2007	2007	
Less than 1 year	₩ 14	₩ 28	US\$ 30	
More than 1 year to 5 years	107	82	88	
	₩ 121	₩ 110	US\$ 118	



**DAEWOO INTERNATIONAL CORPORATION**  
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**7. Equity method investments**

Investments in equity securities accounted for using the equity method as of December 31, 2006 and 2007 are as follows (Korean won in millions):

	As of December 31, 2007		2006	2007		
	Number of shares	Owner- ship (%)	Book value	Acquisition cost	Proportionate net asset value <sup>3</sup>	Book value
Kyobo Life Insurance Co., Ltd.	4,920,000	24.00	₩ 415,227	₩ 212,988	₩ 566,997	₩ 566,997
Myanmar Korea Timber International Ltd.	270	45.00	2,061	3,460	1,404	1,380
Kosvida Agrochemical Co., Ltd.	-	-	651	-	-	-
Shanghai Lansheng Daewoo Corporation	-	49.00	5,351	4,828	5,972	5,972
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	-	49.00	210	299	283	283
Hanjung Power Pty., Ltd.	8,227,612	49.00	7,462	-	6,053	6,053
Vogue Century Ltd.	-	-	1,365	-	-	-
Korea LNG Ltd.	2,400	20.00	2,186	-	2,163	2,163
Daewoo International (America) Corporation	555,000	100.00	21,886	-	23,308	22,041
Daewoo International (Deutschland) GmbH.	-	100.00	1,936	5,933	3,390	3,268
Daewoo International Japan Corporation	9,600	100.00	2,981	4,809	4,469	3,617
Daewoo International Singapore Pte. Ltd.	3,500,000	100.00	2,547	2,371	2,630	2,630
Myanmar Daewoo International Ltd.	495	55.00	2,842	3,556	1,681	2,870
Daewoo Cement (Shandong) Co., Ltd.	-	100.00	113,645	37,422	66,204	109,763
Gezira Tannery Co., Ltd.	6,000	60.00	2,419	-	(1,191)	1,514
Daewoo (China) Co., Ltd.	-	100.00	46,106	15,099	41,200	41,200
Myanmar Daewoo Ltd.	2,826	100.00	4,333	976	4,374	4,372
Daewoo Textile Company Suzhou Jinwoo Weaving, Printing & Dyeing Co., Ltd.	-	100.00	7,661	-	(51,019)	8,303
Daewoo Paper Manufacturing Co., Ltd.	64,023,958	20.76	13,979	9,666	5,889	18,435
Daewoo Textile (H. K) Ltd.	780,000	100.00	-	-	-	-

**DAEWOO INTERNATIONAL CORPORATION**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2006 and 2007**

**7. Equity method investments (cont'd)**

	As of December 31, 2007		2006	2007		
	Number of shares	Owner- ship (%)	Book value	Acquisition cost	Proportionate net asset value <sup>3</sup>	Book value
Daewoo (Dalian) Bag & Tent Manufacturing Co., Ltd.	-	-	2,714	-	-	-
Daewoo Italia S.R.L.	2,040,000	100.00	2,033	2,119	2,969	2,431
PT. Rismar Daewoo Apparel	35,260	88.15	5,435	-	810	4,426
Tianjin Daewoo Paper Manufacturing Co., Ltd.	-	25.00	892	674	-	-
General Medicines Co., Ltd.	9,702	33.00	2,570	736	2,461	2,394
Daytek Electronics Corporation <sup>1</sup>	6,725,000	100.00	1,378	5,111	1,577	1,542
Daewoo Apparel Vietnam Ltd.	-	100.00	1,436	2,942	1,739	1,733
PT. International Steel Indonesia	-	51.00	4,222	4,959	3,139	2,970
Daewoo Textile Fergana LLC.	-	100.00	8,262	8,262	4,396	3,968
DMSA <sup>2</sup>	442,298	2.75	2,805	7,331	7,331	7,331
AMSA <sup>2</sup>	37	2.75	-	-	-	-
Daewoo STC VINA Ltd.	-	100.00	-	2,380	2,233	2,234
Posco Mexico Processing Center Holding LLC.	-	29.00	-	4,158	3,736	3,736
POSCO Europe Steel Distribution Center Ltd.	-	20.00	-	757	757	757
Total			<u>₩ 686,595</u>	<u>₩ 346,040</u>	<u>₩ 714,955</u>	<u>₩ 834,383</u>
U. S. dollars in thousands (Note 2)			<u>US\$ 731,822</u>	<u>US\$ 368,834</u>	<u>US\$ 762,050</u>	<u>US\$ 889,344</u>

<sup>1</sup>Daytek Electronics Corporation's number of shares and ownership interest excludes 584,877 shares of preferred stock held by the Company.

<sup>2</sup>Although the Company's ownership interests in Dynatec Madagascar Societe Anonyme ("DMSA") and Ambatovy Minerals Societe Anonyme ("AMSA") are less than 20%, as those investees are jointly controlled by other investors, the investments were accounted for by using the equity method under SKAS 18 *Interest in Joint Ventures*.

<sup>3</sup>Proportionate net asset values are presented based on adjusted net assets values (See below).

In 2007, the Company disposed of its investments in Vogue Century Ltd., Kosvida Agrochemical Co., Ltd. and Daewoo (Dalian) Bag & Tent Manufacturing Co., Ltd. for considerations of ₩1,284 million, ₩1,885 million and ₩2,941, respectively, and recorded a total gain on disposal of ₩2,335 million.

The investments of Kyobo Life Insurance Co., Ltd. and Daewoo Cement (Shandong) Co., Ltd. have been pledged with respect to long-term debt and payment guarantees (see Note 15).

**DAEWOO INTERNATIONAL CORPORATION**  
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**7. Equity method investments (cont'd)**

The summary of financial position of the investees as of December 31, 2007 and the results of their operations for the year then ended are as follows (Korean won in millions):

	Total assets		Total liabilities		Sales	Net income (loss)
	₩		₩		₩	₩
Kyobo Life Insurance Co., Ltd.	45,490,877		43,128,388		12,246,215	397,058
Myanmar Korea Timber International Ltd.	6,688		5,084		5,626	(740)
Shanghai Lansheng Daewoo Corporation	17,526		5,339		32,518	380
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	25,745		25,167		303,522	1
Hanjung Power Pty., Ltd.	37,292		16,462		27,418	4,522
Korea LNG Ltd.	10,851		37		57,518	55,918
Daewoo International (America) Corporation	116,960		93,652		283,859	279
Daewoo International (Deutschland) GmbH.	11,095		7,669		59,350	216
Daewoo International Japan Corporation	83,013		78,544		341,992	116
Daewoo International Singapore Pte. Ltd.	78,462		75,832		543,553	161
Myanmar Daewoo International Ltd.	4,997		4,103		3,925	(58)
Daewoo Cement (Shandong) Co., Ltd.	280,046		183,404		72,778	(9,750)
Gezira Tannery Co., Ltd.	18,237		6,536		6,870	(1,976)
Daewoo (China) Co., Ltd.	41,648		791		96	133
Myanmar Daewoo Ltd.	4,927		57		5,714	142
Daewoo Textile Company	58,376		69,605		33,204	(3,364)
Suzhou Jinwoo Weaving, Printing & Dyeing Co., Ltd.	11,174		19,948		12,825	(1,159)
Daewoo Paper Manufacturing Co., Ltd.	95,029		70,154		97,556	(5,869)
Daewoo Textile (H.K) Ltd.	3,322		7,461		13,578	(240)
Daewoo Italia S.R.L.	19,090		15,413		66,640	539
PT. Rismar Daewoo Apparel	23,116		22,196		56,686	(627)
Tianjin Daewoo Paper Manufacturing Co., Ltd.	6,212		7,509		6,174	(4,989)
General Medicines Co., Ltd.	11,938		2,994		6,722	944
Daytek Electronics Corporation	30,877		29,300		36,977	(82)
Daewoo Apparel Vietnam Ltd.	2,395		656		3,473	248
PT. International Steel Indonesia	22,992		16,837		19,626	(2,141)
Daewoo Textile Fergana LLC.	74,714		67,439		34,196	(129)
Daewoo STC VINA Ltd.	2,398		165		310	(244)
Posco Mexico Processing Center Holding LLC.	81,822		68,938		49,385	(549)
	₩ 46,671,819		₩ 44,029,680		₩ 14,428,306	₩ 428,740

\* The financial information of DMSA, AMSA and POSCO Europe Steel Distribution Center ("POS-ESDC") was not presented due to unavailability of related financial information.

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**7. Equity method investments (cont'd)**

The equity method of accounting was applied based on Shanghai Lansheng Daewoo Corporation and Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd., DMSA, AMSA and POS-ESDC's most recent available financial statements of which have not been audited.

In connection with the financial statements of foreign investees, certain adjustments to Korean GAAP were made to the financial statements of the investee prior to the application of equity method of accounting. Adjustments to the net asset value of investee are as follows:

	Korean won in millions	
	2006	2007
Myanmar Korea Timber International Ltd.	₩ 676	₩ 682
Hanjung Power Pty., Ltd.	(4,505)	(4,154)
Daewoo International (Deutschland) GmbH.	(37)	(36)
Myanmar Daewoo International Ltd.	1,127	1,189
Daewoo Cement (Shandong) Co., Ltd.	(30,014)	(30,439)
Gezira Tannery Co., Ltd.	(7,963)	(8,211)
Daewoo (China) Co., Ltd.	(1,660)	343
Myanmar Daewoo Ltd.	(460)	(496)
Daewoo Textile Company	(49,704)	(47,783)
Suzhou Jinwoo Weaving, Printing & Dyeing Co., Ltd.	(460)	-
Daewoo Paper Manufacturing Co., Ltd.	1,230	726
Daewoo Italia S.R.L.	(627)	(709)
General Medicines Co., Ltd.	(459)	(490)
Daewoo Textile Fergana LLC.	-	(2,879)
	₩ (92,856)	₩ (92,257)
U. S. dollars in thousands (Note 2)	US\$ (98,973)	US\$ (98,334)

\* Positive numbers represent net debit adjustment and negative numbers represent net credit adjustments.

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**7. Equity method investments (cont'd)**

The eliminations of unrealized loss (profit) resulting from inter-company transactions under the equity method as of December 31, 2006 and 2007 are as follows:

	Korean won in millions	
	2006	2007
Myanmar Korea Timber International Ltd.	₩ (43)	₩ (23)
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	(51)	-
Daewoo International (America) Corporation	(1,215)	(1,267)
Daewoo International (Deutschland) GmbH.	(932)	(122)
Daewoo International Japan Corporation	(1,044)	(853)
Myanmar Daewoo International Ltd.	1,182	1,190
Daewoo Cement (Shandong) Co., Ltd.	44,652	43,558
Gezira Tannery Co., Ltd.	2,686	2,705
Myanmar Daewoo Ltd.	(13)	(2)
Daewoo Textile Company	65,443	67,315
Suzhou Jinwoo Weaving, Printing & Dyeing Co., Ltd.	1,484	1,436
Daewoo Paper Manufacturing Co., Ltd.	13,449	12,546
Daewoo Textile (H.K) Ltd.	(51)	(12)
Daewoo Italia S.R.L.	(77)	(538)
PT. Rismar Daewoo Apparel	3,824	3,616
Tianjin Daewoo Paper Manufacturing Co., Ltd.	(94)	-
General Medicines Co., Ltd.	(25)	(68)
Daytek Electronics Corporation	(177)	(35)
Daewoo Apparel Vietnam Ltd.	(3)	(6)
PT. International Steel Indonesia	-	(168)
Daewoo Textile Fergana LLC.	-	(427)
	₩ 128,995	₩ 128,845
U. S. dollars in thousands (Note 2)	US\$ 137,492	US\$ 137,332

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**7. Equity method investments (cont'd)**

Changes in the carrying amount of equity-method investments for the year ended December 31, 2007 are as follows (Korean won in millions):

	2007							
	Beginning balance	Equity in earnings (loss) investee	Acquisitions (disposals)	Transfer	Dividends/ capital reduction	Share of changes in Retained earnings	Other comprehensive income (loss)	Ending balance
Kyobo Life Insurance Co., Ltd.	₩ 415,227	₩ 95,298	₩ 88,800	₩ -	₩ (7,770)	₩ -	₩ (24,558)	₩ 566,997
Myanmar Korea Timber International Ltd.	2,061	(315)	-	-	-	-	(366)	1,380
Kosvida Agrochemical Co., Ltd.	651	10	(416)	-	-	-	(245)	-
Shanghai Lansheng Daewoo Corporation	5,351	186	-	-	-	-	435	5,972
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	210	52	-	-	-	-	21	283
Hanjung Power Pty., Ltd. <sup>1</sup>	7,462	3,168	-	-	(4,826)	-	249	6,053
Vogue Century Co., Ltd.	1,365	-	(1,660)	-	-	-	295	-
Korea LNG Ltd.	2,186	11,186	-	-	(11,184)	-	(25)	2,163
Daewoo International (America) Corporation	21,886	227	-	-	-	-	(72)	22,041
Daewoo International (Deutschland) GmbH.	1,936	943	-	-	-	-	389	3,268
Daewoo International Japan Corporation	2,981	361	-	-	-	-	275	3,617
Daewoo International Singapore Pte. Ltd.	2,547	59	-	-	-	-	24	2,630
Myanmar Daewoo International Ltd.	2,842	22	-	-	-	-	6	2,870
Daewoo Cement (Shandong) Co., Ltd.	113,645	(11,052)	-	-	-	-	7,170	109,763
Gezira Tannery Co., Ltd.	2,419	(707)	-	-	-	-	(198)	1,514
Daewoo (China) Co., Ltd.	46,106	(2,076)	-	(6,037)	-	-	3,207	41,200
Myanmar Daewoo Ltd.	4,333	86	-	-	-	-	(47)	4,372
Daewoo Textile Company Suzhou Jinwoo Weaving, Printing & Dyeing Co., Ltd.	7,661	1,214	-	-	-	-	(572)	8,303
Daewoo Paper Manufacturing Co., Ltd.	-	-	-	-	-	-	-	-
Daewoo Paper Manufacturing Co., Ltd.	13,979	(2,071)	-	6,062	-	-	465	18,435
Daewoo Textile (H.K) Ltd.	-	-	-	-	-	-	-	-
Daewoo (Dalian) Bag & Tent Manufacturing Co., Ltd.	2,714	(122)	(1,700)	-	(186)	-	(706)	-

**DAEWOO INTERNATIONAL CORPORATION**  
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**7. Equity method investments (cont'd)**

	2007									
	Share of changes in									
	Beginning balance	Equity in earnings (loss) investee	Acquisitions (disposals)	Transfer	Dividends/ capital reduction	Retained earnings	Other comprehensive income (loss)	Ending balance		
Daewoo Italia S.R.L.	₩ 2,033	₩ 78	₩ -	₩ -	₩ -	₩ -	₩ 320	₩ 2,431		
PT. Rismar Daewoo Apparel	5,435	(975)	-	-	(61)	-	27	4,426		
Tianjin Daewoo Paper Manufacturing Co., Ltd.	892	(859)	-	(25)	-	-	(8)	-		
General Medicines Co., Ltd.	2,570	182	-	-	-	-	(358)	2,394		
Daytek Electronics Corporation	1,378	(112)	-	-	-	-	276	1,542		
Daewoo Apparel Vietnam Ltd.	1,436	244	-	-	-	-	53	1,733		
PT. International Steel Indonesia	4,222	(1,280)	-	-	-	-	28	2,970		
Daewoo Textile Fergana LLC.	8,262	(3,957)	-	-	-	-	(337)	3,968		
DMSA	2,805	-	4,526	-	-	-	-	7,331		
AMSA	-	-	-	-	-	-	-	-		
Daewoo STC VINA Ltd.	-	(244)	2,380	-	-	-	98	2,234		
Posco Mexico Processing Center Holding LLC.	-	(517)	-	4,158	-	-	95	3,736		
POS-ESDC Ltd.	-	-	757	-	-	-	-	757		
	₩ 686,595	₩ 89,029	₩ 92,687	₩ 4,158	₩ (24,027)	₩ -	₩ (14,059)	₩ 834,383		
U. S. dollars in thousands (Note 2)	US\$731,822	US\$ 94,893	US\$98,792	US\$ 4,432	US\$(25,610)	US\$ -	US\$ (14,985)	US\$ 889,344		

<sup>1</sup>Hanjung Power Pty., Ltd.'s dividends/capital reduction includes capital stock reduction of ₩2,585 million.

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**7. Equity method investments (cont'd)**

For the year ended December 31, 2007, equity adjustments arising from equity method investments recorded as other comprehensive income (loss) included in equity are as follows (Korean won in millions):

	Beginning balance	Increase (decrease)	Ending balance
Kosvida Agrochemical Co., Ltd.	₩ 245	₩ (245)	₩ -
Shanghai Lansheng Daewoo Corporation	576	435	1,011
Hanjung Power Pty., Ltd.	7,530	249	7,779
Vogue Century Co., Ltd.	(295)	295	-
Daewoo International (Deutschland) GmbH.	131	389	520
Daewoo Cement (Shandong) Co., Ltd.	26,836	7,170	34,006
Daewoo (China) Co., Ltd.	(6,636)	12,599	5,963
Myanmar Daewoo Ltd.	1,072	(46)	1,026
Daewoo (Dalian) Bag & Tent Manufacturing Co., Ltd.	706	(706)	-
Daewoo Italia S.R.L.	(87)	320	233
PT. Rismar Daewoo Apparel	776	27	803
Daytek Electronics Corporation	222	276	498
Daewoo STC VINA Ltd.	-	98	98
Posco Mexico Processing Center Holding LLC.	-	95	95
	31,076	20,956	52,032
Kyobo Life Insurance Co., Ltd.	(2,971)	(24,558)	(27,529)
Myanmar Korea Timber International Ltd.	(1,579)	(366)	(1,945)
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	(236)	20	(216)
Korea LNG Ltd.	(152)	(25)	(177)
Daewoo International (America) Corporation	(4,852)	(72)	(4,924)
Daewoo International Japan Corporation	(1,123)	275	(848)
Daewoo International Singapore Pte. Ltd.	(532)	24	(508)
Myanmar Daewoo International Ltd.	(2,686)	6	(2,680)
Gezira Tannery Co., Ltd.	(1,916)	(198)	(2,114)
Daewoo Textile Company	(2,029)	(571)	(2,600)
Daewoo Paper Manufacturing Co., Ltd.	(5,896)	(8,927)	(14,823)
Tianjin Daewoo Paper Manufacturing Co., Ltd.	(13)	(9)	(22)
General Medicines Co., Ltd.	129	(358)	(229)
Daewoo Apparel Vietnam Ltd.	(82)	52	(30)
PT. International Steel Indonesia	(315)	29	(286)
Daewoo Textile Fergana LLC.	-	(337)	(337)
	(24,253)	(35,015)	(59,268)
	₩ 6,823	₩ (14,059)	₩ (7,236)
U. S. dollars in thousands (Note 2)	US\$ 7,272	US\$ (14,985)	US\$ (7,713)



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**7. Equity method investments (cont'd)**

The Company recognized a net of debit equity adjustment arising from equity method investments amounting to ₩1,756 million (see Note 19), which were offset by the related tax effect amounting to ₩5,480 million.

As the Company's share in the accumulated losses of the investees exceeds the cost of the investments, the unreflected losses of equity method investees from which the application of the equity method of accounting was suspended as of December 31, 2006 and 2007 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2006	2007	2007
Suzhou Jinwoo Weaving, Printing & Dyeing Co., Ltd.	₩ (5,250)	₩ (5,940)	US\$ (6,331)
Daewoo Textile (H.K) Ltd.	(3,926)	(4,151)	(4,425)
Tianjin Daewoo Paper Manufacturing Co., Ltd.	-	(325)	(346)
	₩ (9,176)	₩ (10,416)	US\$ (11,102)

As a result of the discontinuation of the equity method of accounting for Suzhou Jinwoo Weaving, Printing & Dyeing Co., Ltd., a subsidiary of the Company, net assets and net income in the consolidated financial statements of the Company as of December 31, 2007 decreased by ₩6,476 million and ₩708 million, respectively, compared with those in the accompanying non-consolidated financial statements.

**8. Natural resources exploration investments**

The Company has natural resources exploration investments, which were made for energy related business developments in Myanmar and other sites. Changes in net carrying amount of natural resources exploration investments for the years ended December 31, 2006 and 2007 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2006	2007	2007
Beginning balance	₩ 170,507	₩ 177,602	US\$ 189,300
Additions	9,905	88,906	94,762
Borrowing costs capitalized	-	11,083	11,813
Transfer	(2,810)	(28,466)	(30,341)
Ending balance	₩ 177,602	₩ 249,125	US\$ 265,534

**DAEWOO INTERNATIONAL CORPORATION**  
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**8. Natural resources exploration investments (cont'd)**

In 2007, due to the commencement of commercial production of Block 11-2 offshore Vietnam, natural resources exploration investment were transferred to long-term other accounts receivable (representing the minimum recoverable amount of the original investment made from the future commercial production of proved reserves) and mining rights of ₩23,690 million and of ₩250 million, respectively. Due to increase of investment in DMSA, an affiliate of the Company, the related natural resources exploration investment of ₩4,526 million was transferred to equity method investments.

**9. Property, plant and equipment**

The value of the Company's land, as determined by the Government of the Republic of Korea for tax administration purposes, was ₩51,519 million and ₩59,165 million as of December 31, 2006 and 2007, respectively.

Changes in the net book value of property, plant and equipment for the years ended December 31, 2006 and 2007 are as follows (Korean won in millions):

	2006					
	Land	Buildings and structures	Machinery	Others	Construction -in-progress	Total
Cost as of Jan. 1, 2006	₩ 31,181	₩ 132,243	60,703	₩ 37,023	215	₩ 261,365
Additions	-	48	850	2,996	1,909	5,803
Transfers	-	-	1,254	849	(2,103)	-
Disposals	-	-	(1,004)	(1,839)	-	(2,843)
Cost as of Dec. 31, 2006	31,181	132,291	61,803	39,029	21	264,325
Accumulated depreciation	-	(12,193)	(50,070)	(32,479)	-	(94,742)
Government subsidies	-	-	(72)	(112)	-	(184)
Balance as of Dec. 31, 2006	₩ 31,181	₩ 120,098	11,661	₩ 6,438	21	₩ 169,399
Depreciation during the year	₩ -	₩ 3,088	5,201	₩ 3,845	-	₩ 12,134

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**9. Property, plant and equipment (cont'd)**

	2007					
	Land	Buildings and structures	Machinery	Others	Construction -in-progress	Total
Cost as of Jan. 1, 2007	₩ 31,181	₩ 132,291	₩ 61,803	₩ 39,02	₩ 21	₩ 264,325
Additions	-	133	163	3,22	441	3,958
Transfers	-	-	381	8	(462)	-
Disposals	-	-	(1,438)	(1,69	-	(3,132)
Cost as of Dec. 31, 2007	31,181	132,424	60,909	40,63	-	265,151
Accumulated depreciation	-	(15,298	(52,700)	(34,573)	-	(102,571)
Government subsidies	-	-	(50)	(10	-	(159)
Balance as of December 31, 2007	₩ 31,181	₩ 117,126	₩ 8,159	₩ 5,95	₩ -	₩ 162,421
U. S. dollars in thousands (Note 2)	US\$ 33,235	US\$ 124,841	US\$ 8,697	US\$ 6,34	US\$ -	US\$ 173,120
Depreciation during the year	₩ -	₩ 3,105	₩ 3,930	₩ 3,68	₩ -	₩ 10,721

Details of government subsidies for the year ended December 31, 2006 and 2007 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2006	2007	2007
As of January 1,	₩ 884	₩ 624	US\$ 665
Increase	672	463	493
Decrease	(932)	(734)	(782)
As of December 31,	₩ 624	₩ 353	US\$ 376

The Company received the above government subsidies from the Korea Institute of Industrial Technology and other institutions for the purpose of carrying out manufacturing research and purchasing new assets required in its research and development activities. Government subsidies used were either offset against the related expenses or shown as a deduction from the related property, plant and equipment or intangible assets. Any unutilized government subsidies were offset against cash and cash equivalents.

Property, plant and equipment are insured against fire and other casualty losses for up to approximately ₩320,818 million and ₩319,580 million as of December 31, 2006 and 2007, respectively.

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**10. Intangible assets**

Changes in intangible assets for the years ended December 31, 2006 and 2007 are as follows (Korean won in millions):

		2006					
		Distributor- ship	Industrial property rights	Development costs	Mining rights	Others	Total
Cost as of							
Jan. 1, 2006	₩	1,033	₩ 1,779	₩ 4,896	₩ 30,807	₩ 1,224	₩ 39,739
Additions		-	235	2,279	-	-	2,514
Transfers/disposals		-	-	-	(1,609)	-	(1,609)
Cost as of							
Dec. 31, 2006		1,033	2,014	7,175	29,198	1,224	40,644
Accumulated depreciation		(259)	(1,607)	(1,610)	(12,535)	(1,005)	(17,016)
Government subsidies		-	-	(1,369)	-	-	(1,369)
Balance as of							
Dec. 31, 2006	₩	774	₩ 407	₩ 4,196	₩ 16,663	₩ 219	₩ 22,259
Amortization during the year	₩	207	₩ 237	₩ 163	₩ 1,797	₩ 31	₩ 2,435
		2007					
		Distributor- ship	Industrial Property rights	Development costs	Mining rights	Others	Total
Cost as of							
Jan. 1, 2007	₩	1,033	₩ 2,014	₩ 7,175	₩ 29,198	₩ 1,224	₩ 40,644
Additions		-	172	1,450	4,249	-	5,871
Transfers/disposals		-	-	(1,914)	139	-	(1,775)
Cost as of							
Dec. 31, 2007		1,033	2,186	6,711	33,586	1,224	44,740
Accumulated depreciation		(465)	(1,784)	(2,211)	(14,470)	(1,040)	(19,970)
Accumulated impairment losses		-	-	(4,375)	-	-	(4,375)
Balance as of							
Dec. 31, 2007	₩	568	₩ 402	₩ 125	₩ 19,116	₩ 184	₩ 20,395
U. S. dollars in thousands (Note 2)	US\$	605	US\$ 428	US\$ 133	US\$ 20,375	US\$ 196	US\$ 21,738
Amortization during the year	₩	206	₩ 177	₩ 601	₩ 1,935	₩ 35	₩ 2,954

Distributorship represents the exclusive rights acquired for sales of Ssangyong Motor Co., Ltd. in the Russian territory.

Additions to mining rights include capitalized borrowing costs amounting to ₩3,999 million in 2007. Current development costs charged directly to selling and administrative expenses amounted to ₩358 millions for the year ended December 31, 2007.

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**10. Intangible assets (cont'd)**

In 2007, as the recoverable amount of development costs was less than its carrying amount due to commercialization failure of the development costs. The Company recognized an impairment loss of ₩4,375 million, after offsetting the related government subsidies of ₩1,783 million.

**11. Short-term borrowings**

Short-term borrowings as of December 31, 2006 and 2007 are as follows:

Creditor	Annual interest rates (%) as of Dec. 31, 2007	Korean won in millions		U. S. dollars in thousands (Note 2)	
		2006	2007	2007	
Korea Exchange Bank and others	4.98~5.45	₩ 35	₩ 11,367	US\$ 12,116	
Kyongnam Bank	3M Libor+0.55	-	2,167	2,310	
Export-Import Bank of Korea	1M Libor+0.46	9,296	46,910	50,000	
		₩ 9,331	₩ 60,444	US\$ 64,425	

**12. Current portion of long term debt**

Current portion of long-term debt as of December 31, 2006 and 2007 are as follows:

Creditor	Annual interest rates (%) as of Dec. 31, 2007	Korean won in millions		U. S. dollars in thousands (Note 2)	
		2006	2007	2007	
Long-term debt (Work-out debts from banks and others)	NPA Fund and others	3Y Gov't bond rate + 1.0, 3M Libor + 1.7	₩ 31,397	₩ 74,726	US\$ 79,648
Long-term accrued expenses	Nara Investment Bank	-	135	135	144
Long-term other accounts payable	Daewoo H. K. Recovery Co., Ltd. and others	-	3,548	3,518	3,750
			35,080	78,379	83,542
			(7,544)	(7,268)	(7,747)
Less: present value discount			₩ 27,536	₩ 71,111	US\$ 75,795

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**13. Long-term debt**

Long-term debt as of December 31, 2006 and 2007 are as follows:

		Annual interest rates (%) as of	Korean won in millions		U. S. dollars in thousands (Note 2)
	Creditor	Dec. 31, 2007	2006	2007	2007
Korean won denominated debt:					
Work-out debts from banks and others	NPA Fund and others	3Y Gov't bond rate + 1.0	₩ 172,029	₩ 137,708	US\$ 146,779
Other won currency debt	Daewoo Heavy Industries & Construction and other	-			
			2,887	2,887	3,077
			174,916	140,595	149,856
Foreign currency denominated debt:					
Work-out debts from banks and others	AKA Bank and others	6M Euribor + 0.45	85,797	52,251	55,693
Other foreign currency debt	Korea National Oil Bank and others	2.5	5,702	18,865	20,108
			91,499	71,116	75,801
			266,415	211,711	225,657
Less: present value discount			(60,695)	(49,988)	(53,281)
			₩ 205,720	₩ 161,723	US\$ 172,376

The aggregate maturities of long-term debt outstanding as of December 31, 2007, excluding present value discount, are as follows:

Maturity	Korean won in millions	U. S. dollars in thousands (Note 2)
January 1, 2009 ~ December 31, 2009	₩ 39,034	US\$ 41,605
January 1, 2010 ~ December 31, 2010	39,883	42,510
January 1, 2011 ~ December 31, 2011	19,741	21,041
January 1, 2012 ~ December 31, 2012	20,399	21,743
January 1, 2013 and thereafter	80,599	85,908
	₩ 199,656	US\$ 212,807

Repayment terms of work-out debts amounting to ₩2,887 million will be determined after the Company's negotiation with the creditors and the borrowings in connection with a foreign energy business development investment amounting to ₩9,168 million have no repayment terms, and both items were not included in the table of maturities above.

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**14. Debts and receivables restructurings**

**Debts restructuring**

The Company and Creditor Council entered into a new agreement for the repayment terms of the remaining debt on December 30, 2003 upon termination of the 2000 work-out agreement, based on the assessment of the improved operations and financial performance of the Company. Nevertheless, even though the Company was able to restore its credit rating, the possibility that the creditor banks may simultaneously demand payment of debts owing to them could still adversely affect the Company's future cash flows. As a result, the committee members of the Creditor Council restructured the related debts.

The summary of repayment terms of the restructured debts is as follows:

- (1) Repayment term: repayment by installments for 11 years according to a repayment plan, advance payments with surplus cash flows are allowed.
- (2) Interest rate<sup>1</sup> of Korean won currency debt: 3 years Government bond rate + 1.0%
- (3) Interest rate<sup>1</sup> of foreign currency debt: 3 months Libor + 1.7%

<sup>1</sup> The interest rate adjusted in accordance with the agreement with the creditors until December 31, 2005.

Details of valuation of the present value of work-out debts as of December 31, 2007 are as follows:

	Korean won in millions				U. S. dollars in thousands (Note2)
	Long-term debt	Long-term accounts payable	Current portion of long-term debt	Total	Total
Nominal value	₩ 192,846	₩ 5,289	₩ 78,379	₩ 276,514	US\$ 294,728
Present value discount	(49,988)	(241)	(7,268)	(57,497)	(61,284)
	₩ 142,858	₩ 5,048	₩ 71,111	₩ 219,017	US\$ 233,444

**Receivables restructuring**

The Company recorded the difference between the present value of restructured long-term receivables and nominal amounts as allowance for doubtful accounts.

The summary of repayment terms of restructured receivables are as follows:

- (1) Debtor: Daewoo Cement (Shandong) Co., Ltd
- (2) Effective interest rate: 6.09%
- (3) Contract interest rate: 6 months Libor + 1%
- (4) Repayment period: repayment by installments for 11 years, deferred for 4 years from 2003

Restructured receivables of ₩22,048 million were recorded as part of long-term trade accounts receivable of ₩8,380 and long-term other accounts receivable of ₩13,668 million, including net of present value discounts of ₩1,176 million and ₩1,945 million, respectively.

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**15. Collateral and guarantee obligation**

**Collateral for liabilities**

As of December 31, 2007, the shares of Kyobo Life Insurance Co., Ltd. with a book value of ₩478,197 million, excluding the portion of paid-in capital increase amounting to ₩88,800 million in 2007, are pledged as collateral to the NPA Fund (Non-Performing Asset Management Fund) for the Company's long-term debt.

As of December 31, 2007, land and buildings with a total book value of ₩85,155 million are pledged as collateral for certain domestic bank loans.

**Guarantee obligations**

The Company provided payment guarantees to the creditors on behalf of debtors as of December 31, 2007 as follows:

Creditor	Debtor	Amounts (in thousands)	Year of expiration
Export-Import Bank of Korea	Daewoo Cement (Shandong) Co., Ltd.	US\$ 49,721	2017
CALYON	Daewoo Cement (Shandong) Co., Ltd.	EUR 37,287	2017
Export-Import Bank of Korea	Hanjung Power Pty. Ltd	US\$ 8,750	2010
NPA Fund	Hainam Haiwoo Tin plate Industry Co., Ltd.	US\$ 3,557	2010
Export-Import Bank of Korea and others <sup>1</sup>	DMSA, AMSA	US\$ 102,438	2013 (completion of project)

<sup>1</sup>This payment guarantee is provided for the natural resources exploration of Ambatovy nickel mine. The initial date of reckoning of the payment guarantee is the project financing origination date. As of December 31, 2007, DMSA and AMSA have not utilized the project financing facilities.

All the principal debtors above are related parties of the Company, except for Hainam Haiwoo Tin plate Industry Co., Ltd. The equity investment of ₩109,763 million in Daewoo (Shandong) Cement Co., Ltd. in China is pledged as collateral for these guarantee obligations (see Note 23).



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**16. Severance and retirement benefits**

Changes in net carrying amount of severance and retirement benefits for the years ended December 31, 2006 and 2007 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2006	2007	2007
Beginning balance	₩ 39,785	₩ 42,301	US\$ 45,087
Payments	(7,989)	(8,997)	(9,590)
Provisions	10,150	10,509	11,201
Others	355	268	286
Ending balance	42,301	44,081	46,984
Deposits for severance and retirement benefits	(41,495)	(43,422)	(46,282)
Accumulated prepayments to KNPC	(806)	(659)	(702)
Net balance	₩ -	₩ -	US\$ -

**17. Commitments and contingencies**

**Contingent liabilities carried over from Daewoo Corporation prior to the spin-off**

On July 22, 2000, Daewoo Corporation's stockholders approved the spin-off of its business activities by establishing two companies, namely: Daewoo Corporation; Daewoo Engineering and Construction Co., Ltd., (Daewoo E&C), representing the construction division; and Daewoo International Corporation, representing the international trading division. Certain creditors approved the spin-off; some however disapproved. Creditors who approved the spin-off entered into a work-out agreement on March 15, 2000, transferring certain of Daewoo Corporation's liabilities to the Company and to Daewoo E&C, which resulted in the Company becoming a primary debtor or guarantor for those carried-over liabilities. However, creditors who did not approve the spin-off filed lawsuits against Daewoo Corporation, which later consolidated into a single lawsuit against the Company to cancel the proposed spin-off. In January and February 2005, through amicable agreements, the said lawsuit was voluntarily withdrawn.

With regard to the probable claims on the liabilities from both agreeing and disagreeing creditors, the Company estimated ₩71,185 million as the amount of contingent liabilities on the basis of the proposed agreement and all other information. The Company reflected this amount as a provision for claims in the non-consolidated financial statements as follows (Korean won in millions):

Creditors	Debt amount	Provision <sup>1</sup>
Domestic creditors: Domestic bondholders of Daewoo Corp. and others	₩ 5,778	₩ 187
Overseas creditors: EXIM India and others	500,950	70,998
	₩ 506,728	₩ 71,185
U. S. dollars in thousands (Note 2)	US\$ 540,107	US\$ 75,874

<sup>1</sup>The total amount of provision for claims was allocated between the Company and Daewoo Engineering & Construction, Co., Ltd. in an appropriate proportion.

**DAEWOO INTERNATIONAL CORPORATION**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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**17. Commitments and Contingencies (cont'd)**

**Contingent liabilities carried over from Daewoo Corporation prior to the split-off (cont'd)**

In May 2002, Industrial Development Bank of India (IDBI), a creditor of Daewoo Motors India Ltd. (DMIL), to which Daewoo Corporation provided a payment guarantee, filed a petition with the court of Delhi/Mumbai against DMIL to exercise its rights to dispose of DMIL's assets for settlement of the related obligations. In June 2005, Indusind Bank filed a petition with the Seoul Central District Court to claim for guaranteed liabilities. IDBI and Indusind Bank included the Company and Daewoo E&C in their claims. Accordingly, the Company estimated and reflected the amount in the provision for claims with regard to the probable loss from the lawsuits.

Nara Investment Banking Corporation, which went bankrupt and participated in the work-out agreement, disagreed to the adjusted amount of the Company's debt. Nara Investment Banking Corporation filed a lawsuit against the Company for the full return of its receivables.

In addition, Daewoo Corporation's unsettled tax liabilities, prior to the spin-off, should be carried over to the newly established entity under the Korean Tax Law.

Further, Daewoo Corporation filed for bankruptcy in the Seoul Central District Court on May 25, 2006 and received adjudication of bankruptcy on June 16, 2006. As of December 31, 2007, the bankruptcy proceedings of Daewoo Corporation are in progress.

**Pending litigations**

The Company has 23 pending lawsuits as a defendant with an aggregate amount of claims of ₩18,634 million, US\$ 3,413 thousand, EUR 17,000 thousand and 12 pending lawsuits as a plaintiff with an aggregate amount of claims ₩1,779 million, US\$ 62,462 thousand, EUR 26,302 thousand as of December 31, 2007.

The ultimate outcome of these lawsuits cannot presently be determined. However, management does not anticipate that the resolution of these matters will have a material impact on the financial position or results of operations of the Company.

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**17. Commitments and contingencies (cont'd)**

**Credit line and receivables sold**

The Company maintains overdraft facilities with Woori Bank and others for overdraft limits of up to ₩10,100 million. There is no outstanding balance as of December 31, 2007. In addition, the L/C Nego receivables and D/A Nego receivables due from overseas customers have been sold to financial institutions. The following table presents the L/C Nego and D/A Nego whose payments are not yet due (Foreign currency in thousands, Korean won in millions):

	Foreign currencies		Korean won equivalent
	D/A NEGO	L/C NEGO	
AED	-	10,714	₩ 2,737
AUD	1,090	-	897
CAD	29,056	-	27,804
EUR	34,636	49,402	116,079
JPY	15,530,373	7,170,037	189,169
NZD	544	-	395
USD	337,044	178,374	483,566
			₩ 820,647

**Operating lease**

The Company entered into an operating lease contract for copy machines with Daewoo Minolta Corporation, with lease payments for the current year amounting to ₩56 million.

**Letter of credit facilities**

As of December 31, 2007, the Company has letter of credit facilities with Woori Bank and other trading facilities as follows (US dollars in thousands, Korean won in millions):

	Bank	Credit line amount		Outstanding balance	
Local L/C	Woori Bank and others	₩	377,893	₩	301,925
L/C at sight	Woori Bank and others	US\$	285,290	US\$	240,977
L/C usance	Woori Bank and others	US\$	197,359	US\$	94,503
Aggregate credit line for L/C	China Construction Bank and others	US\$	220,000	US\$	117,311
Aggregate credit line	SC First Bank Korea Ltd.	₩	185,533	₩	138,837
D/A	Woori Bank and others	US\$	611,073	US\$	470,163
Credit line in foreign currency	Korea Exim Bank and others	US\$	160,000	US\$	52,310
P-Bond and others	Korea Exim Bank and others	US\$	223,627	US\$	112,594

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**17. Commitments and contingencies (cont'd)**

**Collaterals**

The Company has pledged 36 blank promissory notes, as well as a note with amount of ₩1,071 million as collateral for contract performance guarantees as of December 31, 2007.

**Derivatives**

The Company entered into currency forwards contracts and commodity futures contracts with Korea Development Bank and other financial institutions to hedge against foreign exchange risks and inventory price risks, with the maximum credit line amounts as follows (US\$ in thousands):

<u>Contract</u>	<u>Bank</u>	<u>Derivative credit lines</u>	<u>Remarks</u>
Currency forwards	The Korea Development Bank	US\$ 5,000	Limit of loss
	Woori Bank	50,000	Limit of transaction
	Pusan Bank	233,333	Limit of transaction
	Kookmin Bank	150,000	Limit of transaction
	Shinhan Bank	123,000	Limit of transaction
	Citibank Korea Inc.	7,500	Limit of loss (PSE)
	SC First Bank Korea Ltd.	10,000	Limit of loss (RL)
	Daegu Bank	100,000	Limit of transaction
	Kyoungnam Bank	100,000	Limit of transaction
	China Construction Bank	10,000	Limit of transaction
	Hana Bank	1,000	Limit of loss
	HSBC	125,000	Limit of transaction
		<u>US\$ 914,833</u>	
Commodity futures	Triland Metals Ltd.	US\$ 6,000	Initial credit
		4,000	Variation credit
	MF Global Ltd.	500	Initial credit
		500	Variation credit
	Marex Financial Ltd.	1,500	Initial credit
		1,500	Variation credit
	Standard Bank London Ltd.	1,500	Initial credit
		1,500	Variation credit
	Adm Investor Services	1,000	Initial credit
		1,000	Variation credit
	Sempra Metals Ltd.	10,000	Initial credit
		10,000	Variation credit
	Merrill Lynch	10,000	Initial credit
		10,000	Variation credit
		<u>US\$ 59,000</u>	

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**17. Commitments and contingencies (cont'd)**

**Derivatives (cont'd)**

Details of unsettled contracts for currency forwards and commodity futures are as follows (Korean won in millions, US dollars in thousands):

**Currency forwards**

Currency	Unsettled contractual amount		Valuation gain (loss)
	Long position	Short position	
USD	₩ 64,548	₩ 72,232	₩ (562)
EUR	50,608	145,261	(477)
JPY	72,454	114,798	1,413
GBP	244	-	(7)
AUD	756	1,532	7
CAD	2,055	7,512	(114)
	₩ 190,665	₩ 341,335	₩ 260

**Commodity Futures**

Commodity	Unsettled contractual amount		Valuation gain (loss)
	Long position	Short position	
Aluminum	₩ 7,368	₩ 10,493	₩ 382
Cotton	2,492	19,509	(83)
Copper	124,032	84,809	(5,067)
Nickel	17,913	7,546	(1,962)
Tin	3,086	6,251	15
	₩ 154,891	₩ 128,608	₩ (6,715)

Changes in the book value of derivative financial assets (liabilities) for the years ended December 31, 2007 are as follows:

	Korean won in millions				U. S. dollars in thousands (Note2)
	Jan. 1, 2007	Settlement amount	Valuation gain (loss)	Dec. 31, 2007	Dec. 31, 2007
Currency forwards	₩ (1,823)	₩ 1,823	₩ 260	₩ 260	US\$ 277
Commodity futures	(3,693)	3,669	(6,691)	(6,715)	(7,157)
Commodity firm contracts	3,533	(4,111)	3,102	2,524	2,690
	₩ (1,983)	₩ 1,381	₩ (3,329)	₩ (3,931)	US\$ (4,190)

The commodity contracts in connection with commodity futures were valued at fair value. As a result of such valuation, the resulting unrealized gains and losses on valuation were recorded as commodity firm commitment contracts assets and liabilities, respectively. In 2007, included in cost of sales is a gain on settlement of commodity firm commitment contracts amounted to ₩4,111 million.

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**18. Share-based payment**

The Company maintains a share option plan where employees or executives who have contributed or are expected to contribute to the management and technological innovations of the Company are entitled to be granted share options through a resolution of shareholders or the board of directors. During the year ended December 31, 2004, the Company granted share options to executives according to the resolution of the Board of Directors.

The summary of the terms of share options granted is as follows:

Share options granted<sup>1</sup>: 665,000 shares  
 Forfeited: 126,900 shares  
 Exercised: 498,100 shares  
 Exercisable as of December 31, 2007: 40,000 shares  
 Date of grant<sup>2</sup>: October 29, 2004  
 Exercise price per share<sup>1</sup>: ₩7,964

<sup>1</sup> The number of share options and exercise price can be adjusted through the issuance of new shares, stock dividend, share split or consolidation of shares.

<sup>2</sup> The share options must be exercised within seven years from two years after the date of grant.

As of December 31, 2007, all the conditions for the exercise of the share options granted have been met and the period of exercise of share options is within 7 years from October 29, 2006.

Changes in share-based compensation expenses for the year ended December 31, 2007 are as follows (Korean won in millions):

	<u>2007</u>
Accumulated share-based compensation expense recognized in prior years	₩ 16,
Share-based compensation expense in 2007	<u>1,</u>
Total recognized share-based compensation expense	18,
Accumulated share-based compensation expense exercised as of December 31, 2007	<u>(17,</u>
Remaining share-based compensation expense exercisable in future as of December 31, 2007	<u>₩ 1,</u>

**19. Stockholders' equity**

**Capital stock**

The Company is authorized to issue 500 million shares of common stock at a par value of ₩5,000 per share. As of December 31, 2007, total outstanding common stock is 94,988,776 shares.

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**19. Stockholders' equity (cont'd)**

**Capital stock (cont'd)**

The Company's stockholders as of December 31, 2007 are as follows:

	Number of shares	Percentage of ownership (%)
NPA Fund	33,745,350	35.53
Export-Import Bank of Korea	10,996,400	11.58
KDB Asset Management	6,776,291	7.13
Korea Development Bank	5,047,400	5.31
Others	38,423,355	40.45
	<u>94,988,776</u>	<u>100.00</u>

**Capital surplus**

Capital surplus mainly consists of gain on disposal of treasury stock. The capital surplus may not be utilized for cash dividend, but may be used to offset a future deficit, if any, or may be transferred to capital stock.

**Capital adjustments**

There is no change of the amount of debts to be converted into equity during the year ended December 31, 2007

**Other accumulated comprehensive income**

Changes in other accumulated comprehensive income, each item net of taxes, for the year ended December 31, 2007 are as follows (Korean won in millions):

	January 1, 2007	Increase (decrease)	December 31, 2007
Gain on valuation of investment securities (Note 6)	₩ 4,037	₩ 21,789	₩ 25,826
Equity adjustment arising from equity method investments, net (Note 7)	9,759	(11,515)	(1,756)
Foreign currency translation adjustments	(6,543)	(5,311)	(11,854)
	<u>₩ 7,253</u>	<u>₩ 4,963</u>	<u>₩ 12,216</u>
U. S. dollars in thousands (Note 2)	<u>US\$ 7,730</u>	<u>US\$ 5,290</u>	<u>US\$ 13,020</u>

**Appropriated retained earnings**

Appropriated retained earnings as of December 31, 2006 and December 31, 2007 are as follows;

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2006	2007	2007
Legal reserve	₩ 4,035	₩ 6,885	US\$ 7,339
Reserve for improvement of financial structure	33,613	44,893	47,850
Reserve for business extension	273,000	345,000	367,725
	<u>₩ 310,648</u>	<u>₩ 396,778</u>	<u>US\$ 422,914</u>

**DAEWOO INTERNATIONAL CORPORATION**  
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**19. Stockholders' equity (cont'd)**

**Legal reserve**

The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid, until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock, or used to reduce accumulated deficit, if any.

**20. Foreign currency denominated monetary assets and liabilities**

Assets and liabilities denominated in foreign currencies as of December 31, 2006 and 2007 are summarized as follows (Foreign currency in thousands, Korean won in millions):

		2006		2007	
<Assets>		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Cash and cash equivalents	USD	1,680	₩ 1,562	122,915	₩ 115,319
	JPY	335	410	-	-
	EUR	13,477	105	-	-
Short-term financial instruments	USD	99,973	92,935	78,490	73,639
Trade accounts receivable	AUD	810	595	291	240
	CAD	2,426	1,944	1,728	1,653
	EUR	55,753	68,143	43,504	60,090
	JPY	2,324,115	18,171	321,792	2,682
	SEK	8,068	1,090	-	-
	USD	212,545	197,582	136,382	127,953
Other accounts receivable	CNY	1,268	151	1,268	163
	EUR	-	-	197	272
	USD	5,893	5,478	5,759	5,403
Advance payments	EUR	-	-	47	64
	USD	22,647	21,052	2,061	1,933
Short-term loans	USD	299	278	1,780	1,670
Short-term guarantee deposits	USD	-	-	13	12
Long-term trade accounts receivable	USD	6,531	6,071	6,759	6,341
Long-term other accounts receivable	USD	16,626	15,456	40,714	38,198
Long-term guarantee deposits	USD	543	505	612	574
Long-term loans	USD	-	-	6,914	6,487
		₩ 431,528		₩ 442,693	



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**20. Foreign currency denominated monetary assets and liabilities (cont'd)**

		2006		2007	
<Liabilities>		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Trade accounts payable	AED	-	₩ -	18,060	₩ 4,613
	AUD	124	91	113	93
	CAD	-	-	49	47
	EUR	22,610	27,635	12,785	17,659
	JPY	1,458,564	11,403	1,035,492	8,629
	SEK	8,583	1,159	-	-
	USD	334,445	310,900	345,146	323,816
Short-term borrowings	USD	10,000	9,296	54,894	51,502
Other accounts payable	CAD	1,982	1,588	-	-
	EUR	1,070	1,308	586	809
	JPY	143,855	1,125	106,603	888
	USD	9,144	8,501	10,038	9,418
Withholdings	EUR	408	499	23	31
	USD	91,789	85,327	-	-
Accrued expenses	USD	271	252	374	350
Current portion of long-term debt	USD	3,515	3,268	41,891	39,302
	EUR	1,165	1,424	2,499	3,451
Guarantee deposits received	USD	20	19	20	19
Long-term debt	USD	44,446	41,317	20,108	18,866
	EUR	32,241	39,406	29,273	40,434
Long-term other accounts payable	USD	8,788	8,170	5,368	5,036
Long-term withholdings	USD	-	-	135,035	126,690
Provision for claims	INR	831,083	17,503	877,190	20,939
	PLZ	7,033	2,239	7,033	2,697
	USD	49,342	45,868	50,482	47,362
		₩ 618,298		₩ 722,651	

**21. Income taxes**

The Company is subject to corporate income taxes, including resident surtax, at the aggregate rates of 14.3% on taxable income up to ₩100,000 thousand and 27.5% on taxable income in excess of ₩100,000 thousand.

**DAEWOO INTERNATIONAL CORPORATION**  
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**21. Income taxes (cont'd)**

The major components of provision for income taxes for the year ended December 31, 2007 are as follows:

	Korean won in million	U. S. dollars in thousands (Note 2)
	2007	2007
Income before income taxes	₩ 128,879	US\$ 137,368
Current income taxes	2,181	2,325
Changes in deferred income tax arising from temporary differences	30,429	32,433
Deferred income taxes recognized directly to equity	(5,722)	(6,099)
Provision for income taxes	₩ 26,888	US\$ 28,659
Effective income tax rate	20.86%	20.86%

Reconciliations of income before income taxes for financial reporting purposes and taxable income for corporate income tax reporting purposes are summarized as follows:

	Korean won in millions	U. S. dollars in thousands (Note 2)
	2007	2007
Income before income taxes per statements of income	₩ 128,879	US\$ 137,368
Additions:		
Gain on transaction (valuation) of financial derivatives	12,748	13,588
Loss on transaction (valuation) of financial derivatives	11,682	12,451
Accrued income	497	530
Amortization of present value discount	10,925	11,645
Allowance for doubtful accounts	83,155	88,632
Unpaid cost of sales	24,070	25,655
Gain on valuation of investment securities	(30,396)	(32,398)
Capital adjustment arising from equity method investments	(14,059)	(14,985)
Equity in earnings of equity method investments	25,331	27,000
Dividend income of equity method investments	24,027	25,610
Capitalized borrowing cost	11	12
Other	22,528	24,011
	170,519	181,751
Deductions:		
Gain on transaction (valuation) of financial derivatives	7,607	8,108
Loss on transaction (valuation) of financial derivatives	14,731	15,701
Accrued income	60	64
Amortization of present value discount	9,958	10,614
Allowance for doubtful accounts	84,432	89,994
Unpaid cost of sales	22,834	24,338
Gain on valuation of investment securities	(30,396)	(32,398)
Capital adjustment arising from equity method investments	(14,059)	(14,985)
Equity in earnings of equity method investments	113,316	120,780
Dividend income of equity method investments	1,384	1,475
Impairment of investments	31,373	33,440
Capitalized borrowing cost	11,285	12,028
Other	35,469	37,805
	287,994	306,964
Taxable income for corporate income tax reporting purposes	₩ 11,404	US\$ 12,155

**DAEWOO INTERNATIONAL CORPORATION**  
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**21. Income taxes (cont'd)**

Deferred income taxes reflect the net tax effects of tax credit carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax reporting purposes. Significant changes in tax credit carryforwards, cumulative temporary differences and deferred income tax assets and liabilities for the year ended December 31, 2007 are as follows (Korean won in millions):

	2007			
	Jan. 1, 2007	Net increase (decrease)	Dec. 31, 2007	Deferred income tax assets (liabilities)
Severance and retirement benefits	₩ 23,365	₩ 1,209	₩ 24,574	₩ 6,758
Severance insurance deposits	(23,365)	(1,209)	(24,574)	(6,758)
Accrued income	(497)	437	(60)	(17)
Amortization of present value discount	20,893	967	21,860	6,012
Depreciation	1,627	7,418	9,045	2,487
Allowance for doubtful accounts	84,496	(1,341)	83,155	22,868
Debts to be converted into equity	7,488	-	7,488	2,059
Other accounts payable	22,834	1,236	24,070	6,619
Gain (loss) on valuation of investment securities	(5,568)	(30,055)	(35,623)	(9,796)
Equity adjustments arising from equity method investments	10,677	9,249	19,926	5,480
Equity in earnings of equity method investments	(373,212)	(124,690)	(497,902)	(136,923)
Impairment of investments	78,375	(31,373)	47,002	12,926
Capitalized borrowing costs	-	(11,274)	(11,274)	(3,100)
Gain (loss) on foreign currency translation on provision for claims	-	(8,678)	(8,678)	(2,387)
Inventory valuation reserves	579	601	1,180	324
Government subsidies	1,858	(1,666)	192	53
Other	128,520	69,815	198,335	54,542
	(21,930)	(119,354)	(141,284)	(38,853)
Carried forwarded tax credit	-	-	2,393	2,393
	₩ (21,930)	₩ (119,354)	₩ (138,891)	₩ (36,460)
U. S. dollars in thousands (Note 2)	US\$ (23,375)	US\$ (127,216)	US\$ (148,040)	US\$ (38,862)

The Company did not recognize deferred income tax assets (liabilities) for deductible and additional temporary differences, arising from equity method investments and others amounting to ₩116,410 million and ₩93,449 million, respectively, in consideration of the uncertainty in realizing those temporary differences in the future.

**DAEWOO INTERNATIONAL CORPORATION**  
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**December 31, 2006 and 2007**

**21. Income taxes (cont'd)**

Details of gross deferred income tax assets and liabilities as of December 31, 2007 are as follows (Korean won in millions):

	Temporary differences	Reversal of temporary differences		Deferred income tax assets (liabilities)	
		2007	2008 and thereafter	Current	Non-current
Deductible temporary differences:					
Severance and retirement benefits	24,574	-	24,574	-	6,758
Amortization of present value discount	21,860	-	21,860	-	6,012
Depreciation	9,045	-	9,045	-	2,487
Allowance for doubtful accounts	83,155	83,155	-	22,868	-
Debts to be converted into equity	7,488	-	7,488	-	2,059
Other accounts payable	24,070	24,070	-	6,619	-
Equity adjustments arising from equity method investments	19,926	-	19,926	-	5,480
Impairment of investments	47,002	-	47,002	-	12,926
Inventory valuation reserves	1,180	1,180	-	324	-
Government subsidies	192	-	192	-	53
Other	282,928	13,067	269,861	3,594	74,211
	521,420	121,472	399,948	33,405	109,986
Taxable temporary differences:					
Severance insurance	(24,574)	-	(24,574)	-	(6,758)
Accrued income	(60)	(60)	-	(17)	-
Gain (loss) on valuation of investment securities	(35,623)	-	(35,623)	-	(9,796)
Equity in earnings of equity method investments	(497,902)	-	(497,902)	-	(136,923)
Capitalized borrowing costs	(11,274)	-	(11,274)	-	(3,100)
Gain (loss) on foreign currency translation on provision for claims	(8,678)	-	(8,678)	-	(2,387)
Other	(84,593)	-	(84,593)	-	(23,263)
	(662,704)	(60)	(662,644)	(17)	(182,227)
Carried forward tax credits				2,393	-
				35,781	(72,241)
U. S. dollars in thousands (Note 2)				38,138	(77,000)

**DAEWOO INTERNATIONAL CORPORATION**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2006 and 2007**

**22. Earnings per share**

**Basic earnings per share**

Basic earnings per share for the years ended December 31, 2006 and 2007 are calculated as follows (Korean won in millions, except for per share amounts):

	2006	2007
Net income attributable to common stock	₩ 112,808	₩ 101,991
Weighted-average number of common shares outstanding	94,988,776	94,988,776
Basic earnings per share	₩ 1,188	₩ 1,074
U. S. dollars in thousands (Note 2)	US\$ 1.27	US\$ 1.15

There are no changes in the weighted-average number of common shares outstanding for the years ended December 31, 2006 and 2007.

**Diluted earnings per share**

Diluted earnings per share for the years ended December 31, 2006 and 2007 are calculated as follows (Korean won in millions, except for per share amounts):

	2006	2007
Net income attributable to common stock	₩ 112,808	₩ 101,991
Weighted-average number of common shares outstanding	94,988,776	94,988,776
Adjustment for assumed conversion of debts <sup>1</sup>	234,000	234,000
	95,222,776	95,222,776
Diluted earnings per share	₩ 1,185	₩ 1,071
U. S. dollars in thousands (Note 2)	US\$ 1.26	US\$ 1.14

<sup>1</sup>Details of dilutive potential share as of December 31, 2007, are as follows:

	Number of common shares to be issued by conversion or exercise	Conversion or exercisable period	Number of days outstanding	Weighted number of shares
Debts to be converted into equity	234,000	2007.1.1 ~ 2007.12.31	365	85,410,000

Weighted average number of dilutive share outstanding:  
 $85,410,000 \text{ shares} \div 365 = 234,000 \text{ shares}$

**DAEWOO INTERNATIONAL CORPORATION**  
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**December 31, 2006 and 2007**

**23. Related party transactions**

Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2006 and 2007 and the related account balances outstanding as of December 31, 2006 and 2007 are summarized as follows (Korean won in millions):

	2006			
	Sales	Purchases	Receivables	Payables
<b>Subsidiaries</b>				
Daewoo International (America) Corp.	₩ 323,343	₩ 6,460	₩ 19,901	₩ 1,189
Daewoo International (Deutschland) GmbH.	55,364	626	4,396	1,267
Daewoo International Japan Corp.	290,226	985	4,419	189
Daewoo International Singapore Pte. Ltd.	301,674	24,317	6,257	17
Daewoo Italia S.R.L.	30,944	-	3,486	283
Myanmar Daewoo International Ltd.	251	3,013	527	104
Suzhou Jinwoo Weaving Printing & Dyeing Co., Ltd.	136	1,064	2,471	-
Daewoo Paper Manufacturing Co., Ltd.	16,338	-	7,263	-
Daewoo Cement (Shandong) Co., Ltd.	-	58,263	24,654	2,406
Daewoo Textile Company	3,782	31,653	7,027	3,410
PT. Rismar Daewoo Apparel	24,609	26,950	3,995	2,018
Gezira Tannery Co., Ltd.	118	3,318	2,171	151
Tianjin Daewoo Paper MFG. Co., Ltd.	741	-	28	-
Daytek Electronics Corp.	15,557	-	1,944	1,588
<b>Affiliates</b>				
Shanghai Lansheng Daewoo Corp.	7,522	5,916	5,298	376
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo International Trading Co., Ltd.	89,287	1,712	18,030	1,662
Daewoo (Dalian) Bag & Tent Manufacturing Co., Ltd.	2,300	5,016	218	65
Daewoo Apparel Vietnam Ltd.	-	5,785	311	53
Daewoo Textile (H.K.) Ltd.	2,808	4,946	2,614	337
General Medicines Co., Ltd.	4,135	-	2,411	-
Hanjung Power Pty., Ltd.	29	-	4	-
Kosvida Agrochemical Co., Ltd.	448	-	68	-
Myanmar Korea Timber International Ltd.	7,421	5,905	346	97
PT. International Steel Indonesia	11,251	24	1,217	-
Daewoo Textile Fergana LLC	168	111	182	111
<b>Key management</b>				
Key management personnel <sup>3</sup>	-	-	31	-
<b>Others</b>				
NPA Fund	-	-	1,022	75,254
Daewoo Canada Ltd.	29,787	-	73	-
N. I. CO., Ltd.	-	-	-	3
Daewoo El Salvador S.A. De C.V.	-	-	2,409	147
Daewoo (Thailand) Co., Ltd.	-	-	-	-
	<u>₩ 1,218,239</u>	<u>₩ 186,064</u>	<u>₩ 122,773</u>	<u>₩ 90,727</u>

**DAEWOO INTERNATIONAL CORPORATION**  
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**23. Related party transactions (cont'd)**

	2007			
	Sales	Purchases	Receivables <sup>1</sup>	Payables
<b>Subsidiaries<sup>3</sup></b>				
Daewoo International (America) Corp.	₩ 246,707	₩ 3,399	₩ 15,430	₩ 128
Daewoo International (Deutschland) GmbH.	38,328	1,653	522	259
Daewoo International Japan Corp.	303,637	4,099	3,775	382
Daewoo International Singapore Pte. Ltd.	357,234	8,070	1,412	1
Daewoo Italia S.R.L.	67,460	974	-	316
Suzhou Jinwoo Weaving Printing & Dyeing Co., Ltd.	32	2,997	2,852	-
Daewoo Paper Manufacturing Co., Ltd.	16,715	-	7,189	9
Daewoo Cement (Shandong) Co., Ltd.	-	29,306	26,982	1,571
Daewoo Textile Company	4,158	32,722	3,761	1,873
PT. Rismar Daewoo Apparel	22,108	18,055	4,399	1,163
Gezira Tannery Co., Ltd.	-	4,783	2,399	239
Daytek Electronics Corp.	41,714	-	1,653	-
Daewoo Textile Fergana LLC.	4,990	30,610	8,699	849
PT. International Steel Indonesia	21,783	-	1,331	-
<b>Affiliates</b>				
Shanghai Lansheng Daewoo Corporation	7,199	7,006	2,133	59
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo International Trading Co., Ltd.	187,187	119	18,994	-
Tianjin Daewoo Paper MFG Co., Ltd.	208	-	-	-
Daewoo Apparel Vietnam Ltd.	-	3,110	253	142
Daewoo Textile (H.K.) Ltd.	2,353	2,391	2,652	128
General Medicines Co., Ltd.	3,663	-	2,285	-
Hanjung Power Pty., Ltd.	874	-	-	12
Myanmar Daewoo Ltd.	-	128	-	-
Myanmar Daewoo Int'l Ltd.	262	1,971	343	44
Myanmar Korea Timber International Ltd.	6,430	4,249	84	84
Daewoo STC VINA Ltd.	382	-	117	107
<b>Key management</b>				
Key management personnel <sup>2</sup>	-	-	3	-
<b>Others</b>				
NPA Fund	-	-	986	61,460
Daewoo Canada Ltd.	4,308	2	-	-
N. I. CO., Ltd.	-	-	-	3
Daewoo El Salvador S.A.De C.V.	-	-	2,431	148
Myanmar Daewoo Construction Machinery Co., Ltd.	51	-	-	-
Daewoo (Thailand) Co., Ltd.	-	5	-	-
	₩ 1,337,783	₩ 155,649	₩ 110,685	₩ 68,977
U. S. dollars in thousands (Note 2)	US\$ 1,425,904	US\$ 165,902	US\$ 117,976	US\$ 73,521

<sup>1</sup>Receivables are presented at gross amounts before allowance for doubtful accounts amounting to ₩34,190 million.

<sup>2</sup>Outstanding balances with key management personnel are employee loans for Employee Stock Ownership Association.

<sup>3</sup>Daewoo (China) Co., Ltd., a subsidiary, has no carried out any transaction with the Company.

**DAEWOO INTERNATIONAL CORPORATION**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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**23. Related party transactions (cont'd)**

**Key management personnel compensation**

Compensations of key management personnel for the years ended December 31, 2006 and 2007 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2006	2007	2007
Salaries	₩ 4,407	₩ 5,544	US\$ 5,909
Severance benefits	1,740	1,945	2,073
Share-based compensation expense	5,181	1,143	1,218
Total	₩ 11,328	₩ 8,632	US\$ 9,200

**Significant guarantees provided to related parties**

As of December 31, 2007, the Company has provided payment guarantees to affiliated companies including Daewoo Cement (Shandong) Co., Ltd., Hanjung Power Ltd. and DMSA, AMSA amounting to ₩98,151 million, ₩8,209 million and ₩96,107 million, respectively, while its assets of ₩109,763 million have been pledged as collateral for such guarantees (see Note 15).

**Work-out on overseas trading subsidiaries**

Daewoo Handels GmbH filed for bankruptcy in a court in Germany on May 31, 2001, and its liquidation began on September 1, 2001. The creditors' committee approved the liquidation plan on January 29, 2002. With the remaining assets after the liquidation, Daewoo International (Deutschland) GmbH. ("DIDG") was incorporated and commenced its business on April 16, 2002.

Daewoo Japan Corporation filed for a court receivership on June 28, 2002, and obtained an approval from the court on October 4, 2002. During the process of the court receivership, with the remaining assets of Daewoo Japan Corporation, Daewoo International Japan Corporation was incorporated and started its business on November 1, 2002, while Daewoo Japan Corporation was placed under liquidation.

Daewoo Singapore Pte., Ltd. started its liquidation process in 2003 and finally was liquidated in 2007. Instead, Daewoo International Singapore Pte., Ltd., was newly incorporated in June 2003 and has been in its operations since July 1, 2003.



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**24. Value added information**

Value added information for the years ended December 31, 2006 and 2007 are as follows (Korean won in millions):

	2006		
	Cost of sales	Selling and administrative expenses	Total
Personnel expenses	₩ 17,636	₩ 57,755	₩ 75,391
Severance benefits	2,087	8,063	10,150
Welfare expenses	3,270	15,559	18,829
Rental charges	18	10,278	10,296
Depreciation	6,811	5,323	12,134
Amortization	1,989	446	2,435
Taxes and dues	233	1,673	1,906
	<u>₩ 32,044</u>	<u>₩ 99,097</u>	<u>₩ 131,141</u>
	2007		
	Cost of sales	Selling and administrative expenses	Total
Personnel expenses	₩ 15,582	₩ 63,443	₩ 79,025
Severance benefits	1,739	8,770	10,509
Welfare expenses	3,503	15,326	18,829
Rental charges	30	10,390	10,420
Depreciation	5,284	5,437	10,721
Amortization	2,539	415	2,954
Taxes and dues	256	1,771	2,027
	<u>₩ 28,933</u>	<u>₩ 105,552</u>	<u>₩ 134,485</u>
U. S. dollars in thousands (Note 2)	<u>US\$ 30,839</u>	<u>US\$ 112,505</u>	<u>US\$ 143,344</u>

**DAEWOO INTERNATIONAL CORPORATION**  
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**25. Segment information**

Financial information of the business segments as of December 31, 2006 and 2007 and for the years ended then are as follows:

**Industry segments**

The details of the information by industry segment for the years ended December 31, 2006 and 2007 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)	
	2006	2007	2007	
<b><u>Sales</u></b>				
Trading	₩ 6,138,848	₩ 7,582,696	US\$ 8,082,174	
Manufacturing	188,887	177,516	189,209	
Retail (department store)	55,880	55,937	59,622	
Total	₩ 6,383,615	₩ 7,816,149	US\$ 8,331,005	
<b><u>Operating income</u></b>				
Trading	₩ 73,661	₩ 88,698	US\$ 94,541	
Manufacturing	1,932	1,045	1114	
Retail (department store)	2,103	2,132	2,273	
Total	₩ 77,696	₩ 91,875	US\$ 97,928	
<b><u>Property, plant and equipment</u></b>				
Trading	₩ 6,698	₩ 6,164	US\$ 6,570	
Manufacturing	69,041	64,237	68,468	
Retail (department store)	93,660	92,020	98,081	
Total	₩ 169,399	₩ 162,421	US\$ 173,120	
<b><u>Intangible assets</u></b>				
Trading	₩ 18,001	₩ 20,211	US\$ 21,542	
Manufacturing	4,258	184	196	
Retail (department store)	-	-	-	
Total	₩ 22,259	₩ 20,395	US\$ 21,738	
<b><u>Depreciation</u></b>				
Trading	₩ 1,955	₩ 2,193	US\$ 2,337	
Manufacturing	6,997	5,422	5,779	
Retail (department store)	3,182	3,106	3,311	
Total	₩ 12,134	₩ 10,721	US\$ 11,427	
<b><u>Amortization</u></b>				
Trading	₩ 2,243	₩ 2,351	US\$ 2,506	
Manufacturing	192	603	643	
Retail (department store)	-	-	-	
Total	₩ 2,435	₩ 2,954	US\$ 3,149	

**DAEWOO INTERNATIONAL CORPORATION**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2006 and 2007**

**25. Segment information (cont'd)**

**Geographical segments**

The Sales information by geographical segment for the years ended December 31, 2006 and 2007 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2006	2007	2007
Asia/Africa/Oceania	₩ 4,298,302	₩ 5,514,625	US\$ 5,877,878
North America	734,826	651,810	694,745
South America	188,886	187,482	199,832
Europe/Russia	780,129	1,045,637	1,114,514
Domestic	381,472	416,595	444,036
	₩ 6,383,615	₩ 7,816,149	US\$ 8,331,005

**26. Supplementary cash flow information**

Significant non-cash investing and financing activities for the year ended December 31, 2007 are as follows:

	Korean won in millions	U. S. dollars in thousands (Note 2)
	2007	2007
Reclassification of construction in-progress	₩ 462	US\$ 492
Reclassification of natural resources exploration investment to mining rights	250	266
Reclassification of natural resources exploration investment to (long-term) other accounts receivable	23,690	25,250
Reclassification of withholdings to long-term debt	9,230	9,838
Reclassification of withholdings to long-term withholdings	80,169	85,450
Reclassification of long-term withholdings to mining rights	3,765	4,013
Transfer of current portion of long-term debt	77,630	82,744
	₩ 195,196	US\$ 207,753

**DAEWOO INTERNATIONAL CORPORATION**  
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**27. Comprehensive income**

The Company's comprehensive incomes for the year ended December 31, 2007 are as follows:

	Korean won in millions	U. S. dollars in thousands (Note 2)
Net income	₩ 101,991	US\$ 108,710
Other comprehensive income (loss) (Note 19):		
Gain on valuation of investment securities	21,789	23,224
Equity adjustment arising from equity method investments	(11,515)	(12,274)
Foreign currency translation adjustments	(5,311)	(5,661)
	4,963	5,289
Comprehensive income	₩ 106,954	US\$ 113,999

**28. Dividends**

The 2006 dividends were approved at the ordinary stockholders' meeting held on March 9, 2007 and the 2007 dividends will be approved at the annual ordinary stockholders' meeting to be held on March 7, 2008.

Details of dividends declared for the years ended December 31, 2006 and 2007 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2006	2007	2007
Number of shares (A)	94,988,776	94,988,776	94,988,776
Dividend per share (B)			
(Korean won and US\$ in units)	₩ 300	₩ 350	US\$ 0.37
Dividends (A x B)	₩ 28,497	₩ 33,246	US\$ 35,436

The dividend payout ratio for the years ended December 31, 2006 and 2007 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2006	2007	2007
Dividends (A)	₩ 28,497	₩ 33,246	US\$ 35,436
Net income (B)	112,808	101,991	108,710
Dividend payout ratio (A/B)	25.26%	32.60%	32.60%

**DAEWOO INTERNATIONAL CORPORATION**  
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**December 31, 2006 and 2007**

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**28. Dividends (cont'd)**

The dividend yield ratio for the years ended December 31, 2006 and 2007 are as follows:

	Korean won		U. S. dollars (Note 2)
	2006	2007	2007
Dividend per share (A)	₩ 300	₩ 350	US\$ 0.37
Market value per share at balance sheet date (B)	₩ 39,050	₩ 39,600	US\$ 42.21
Dividend yield ratio (A/B)	0.77%	0.88%	0.88%

**29. Operating results of the final interim period (unaudited)**

Summary of operating results (unaudited) for the three months ended December 31, 2006 and 2007 are as follows:

	Korean won in millions		U. S. dollars in thousands (Note 2)
	2006	2007	2007
Sales	₩ 1,694,048	₩ 1,901,848	US\$ 2,027,124
Cost of sales	1,572,996	1,777,744	1,894,845
Operating income	4,671	2,059	2,195
Net income	18,029	18,695	19,926
Basic earnings per share (Korean won and US\$ in units)	₩ 190	₩ 197	US\$ 0.21



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**Internal Accounting Control System Review Report**

Representative Director  
Daewoo International Corporation

We have reviewed the accompanying management's report on the operations of the internal accounting control system ("IACS") of Daewoo International Corporation (the "Company") as of December 31, 2007. The Company's management is responsible for design and operations of its IACS, including the reporting of its operations. Our responsibility is to review the management's IACS report and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2007, the Company's IACS has been effectively designed and has operated as of December 31, 2007, in all material respects, in accordance with the IACS standards established by the IACS Operations Committee."

We conducted our review in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the IACS. A review includes the procedures of obtaining an understanding of the IACS, inquiring as to management's report on the operations of the IACS and performing a review of related documentation within limited scope, if necessary.

A company's IACS consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the IACS may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the IACS on future periods are subject to the risk that IACS may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

Based on our review of the management's report on the operations of the IACS, nothing has come to our attention that causes us to believe that the management's report referred to above is not presented fairly, in all material respects, in accordance with the IACS standards.

We conducted our review of the IACS in existence as of December 31, 2007, and we did not review the IACS subsequent to December 31, 2007. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Stock Companies, and may not be appropriate for other purposes or for other users.

February 5, 2008

A handwritten signature in black ink that reads 'Ernst &amp; Young Han Young'.

This report is annexed in relation to the audit of the financial statements as of December 31, 2007 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

**Report on the Operations of the Internal Accounting Control System**

(Translation)

To the Board of Directors and Audit Committee of  
Daewoo International Corporation

I, as the Internal Accounting Control Officer (“IACO”) of Daewoo International Corporation (“the Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2007.

The Company’s management including the IACO is responsible for the design and operations of its IACS. I, as the IACO, assessed whether the IACS has been effectively designed and has operated to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes. I, as the IACO, applied the IACS standards for the assessment of design and operations of the IACS.

Based on the assessment of the operations of the IACS, the Company’s IACS has been effectively designed and has operated as of December 31, 2007, in all material respects, in accordance with the IACS standard.

January 24, 2008

Hong-soo, Seol, Internal Accounting Control Officer

Young-Won, Kang, Chief Executive Officer